

BULLETIN

OF THE

National Association of Credit Men

Published monthly by J. H. TREGOE, Secretary-Treasurer
41 Park Row, New York

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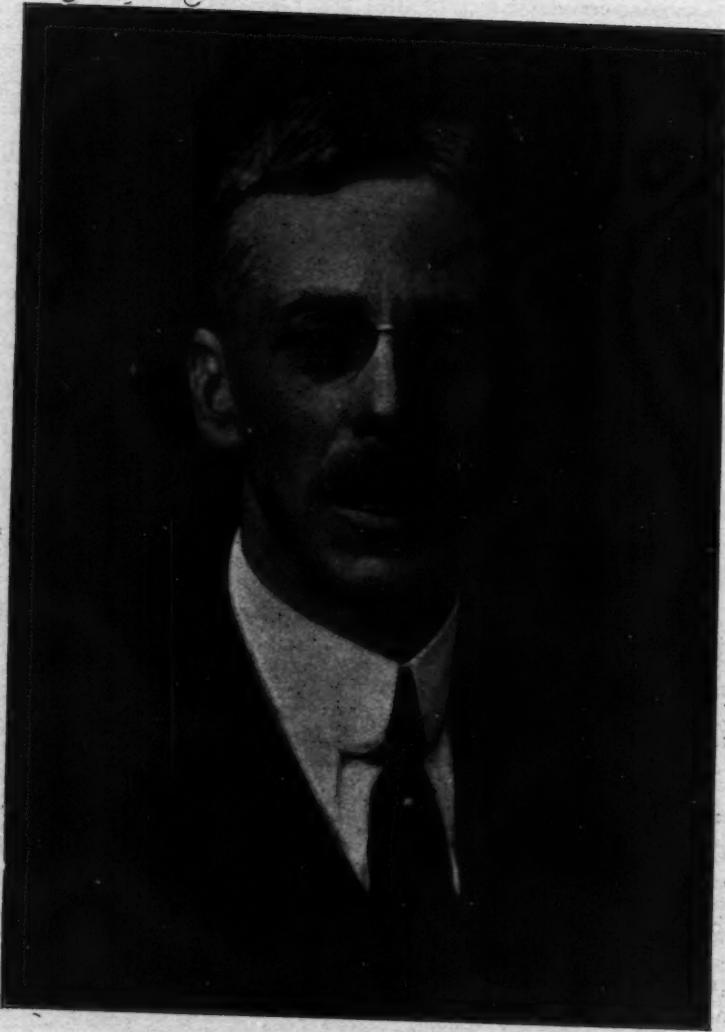
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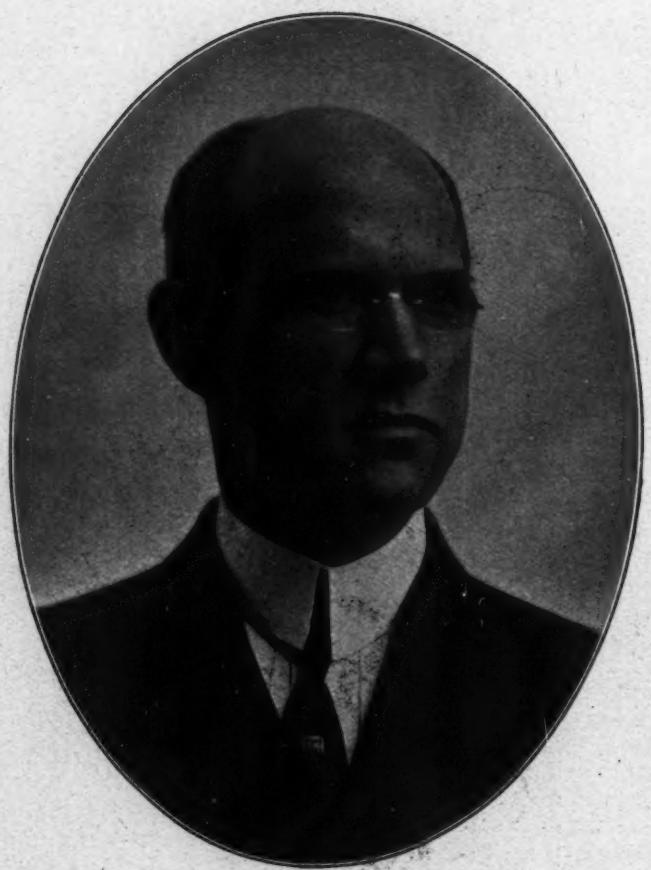


CHARLES E. MEEK

American Exchange National Bank, New York, N. Y.
President



H. G. MOORE
Kansas City, Missouri
First Vice-President



H. E. CHOATE

J. K. Orr Shoe Co., Atlanta, Ga.

Second Vice-President

**Proceedings of the Nineteenth Annual Convention
of the National Association of Credit Men,
Held at Convention Hall, Rochester,
New York, June 23, 24, 25,
26, 1914.**

The opening session of the nineteenth annual convention of the National Association of Credit Men was called to order at 11 o'clock in the forenoon, Tuesday, June 23, 1914, by President F. R. Salisbury, of Minneapolis, Minn.

President Salisbury—The convention will come to order. The invocation will be pronounced by the Rev. C. Waldo Cherry, D.D., Pastor of the Central Presbyterian Church, Rochester.

Dr. Cherry then pronounced the invocation.

President Salisbury—Mr. Ira D. Kingsbury, of Rochester, has some announcements to make. (Applause.)

Mr. Kingsbury—I had a very pretty speech written up for this morning, but here I am prevented from delivering it because my wife looked it over last night, said it was no good and tore it up. (Laughter.) I wrote another but Mr. Tregoe would not give me time enough on the program to deliver it. He cut me down to three minutes. (Laughter.) However, I think the gentlemen of this convention are entitled to know something about how the convention came to Rochester. I bought it. I bought the board. (Laughter.) Now I leave it to any of them to deny the assertion. (Laughter.)

I should like very much to say something about Rochester, but I am looking into the eye of my friend McComas from Los Angeles. Now I entered into a compact with him two years ago that if he and I were in the same room I would not say a word about Rochester, if he would not say anything about Los Angeles. (Laughter.)

Our mayor is going to tell you all about the city; therefore I am going to tell you briefly about the arrangements for the entertainment.

This afternoon the ladies will be taken for an automobile ride around the city. The machines will start from the Powers Hotel. The hour is 2.30. As the fellow said down in Cincinnati, there are two kinds of time, woman's time and man's time. That 2.30 is man's time. (Laughter.) Tonight at 8.30—ladies' time—(laughter) the President's Reception and Ball will take place at the New York State Armory. We want you all to come and bring your girls. I have had two or three people hustling around for the last three days looking for girls for you single men, and if I have not made good on the girls, tell me about it. (Laughter.)

Tomorrow afternoon we have an outing at Exposition Park, the pride of the Mayor of Rochester and of the city of Rochester. We want all of you to go there. There will be a soccer football game between two professional elevens, one called the English and the other the Scotch. They are playing for a good fat cash prize, and it will be no hippodrome. You will be given a picnic lunch. Secretary Tregoe said that he was going to buy a big dinner before he went out there. (Laughter.) I do not know whether that advice will go with the rest of you or not; it

all depends on how much confidence you have in what Tregoe says. (Laughter.) In the evening there will be an outdoor performance of Pomander Walk, by the Frank Lea Short Players.

Friday morning, by courtesy of the directors, the Memorial Art Gallery will be given over to the ladies of the convention. The exhibit that is now going on is a loan exhibit of the finest pictures that are owned by Rochesterians, and is the best that has ever been given in the new art gallery. No tickets of admission are required. The door is open, and we want all the ladies to go, and I assure you they will have a good time.

I have had a lot of trouble about Friday night. (Laughter.) Heretofore it has been on the program as a Smoker, or something of the kind, and when Secretary Tregoe was up here not long ago I outlined the program to him and told him it was not going to be a Smoker, but that I did not know what to call it, and he named it. I tried to write it down, but I could not get a lead pencil that could write the name, and I never could get my teeth and tongue to say it, and I do not believe that anybody but Tregoe or a Chinaman could pronounce that name. I dare Mr. Tregoe to pronounce it for you and then see if you would expect us to invite you to such an entertainment. Pronounce that.

Secretary Tregoe—With pleasure. I suggested to Mr. Kingsbury that he call this entertainment the Café Chantant. (Laughter.)

Mr. Kingsbury—We compromised and called it a "Frolic," and I want to say something about that frolic. It is going to be some frolic, and we want everybody to stay over for it, and I tell you that you cannot get out of town. I have made arrangements with the passenger departments of the various railroads that no credit man is to be allowed any accommodations before 12 o'clock Friday night. (Laughter.) So you have got to stay. (Applause.)

President Salisbury—We shall next listen to the address of welcome on behalf of the City of Rochester, by Mayor Hiram H. Edgerton.

Address of Welcome for the City of Rochester by the Hon. Hiram H. Edgerton, Mayor

Mr. President, Delegates, Ladies and Gentlemen:

There have been so many kinds of time mentioned here this morning that I was in hopes there would not be any time for me at all. But it has been my privilege for many years to appear before audiences of this kind, visiting delegates, many thousands of them, including business and professional men, fraternizers, to extend to them the greetings of my fellow-citizens.

A man told me last night that a good many Rochester people when away from home make perfect nuisances of themselves telling about their city. But we have a city that we are very proud of, one that has grown and developed astonishingly in the last few years. In its early history, while we were a very small city, its chief and almost only industry was the manufacture of flour, and we were called the Flour City. Later, other industries developed, notably that of growing plants and trees and seeds and flowers, and we changed the spelling

but not the name. We have also been called the "Kodak City," and later, the "Convention City." We are distinctively a clean city, both physically and morally. (Applause.)

We are a city of homes and great industries, whose citizenship is far above the ordinary citizenship of American cities. We are dependent upon no one line of industry, for our industries are many and varied, each requiring skilled laborers to carry it on. This accounts for our high class of citizenship, requiring an entirely different sort of government from that of most cities. We want playgrounds and parks and recreation centers, and we have them; and I trust that while you people are here you will take the time to visit our city, our beautiful parks, and our places of amusement accommodating almost every inclination, from the lake side to the farm.

We are glad you are here. These conventions are of immense value to us. They bring to the city, as does this convention, people who are familiar with conditions in all parts of the country. We expect to derive a great deal of benefit from hearing you tell of the best things that you have, and if you see anything in Rochester that you can beat, tell us about it, for it will spur us on.

I trust that your deliberations will be not only pleasant but profitable and agreeable. If you will take the time to look Rochester over, most of you will want to live here. Come again. (Applause.)

President Salisbury—We will next hear the address of welcome on behalf of the Rochester Chamber of Commerce, by R. B. Woodward, secretary.

Address of Welcome for the Rochester Chamber of Commerce, by R. B. Woodward, Secretary.

Mr. President, Ladies and Gentlemen:

It is evident to you now that you are twice welcome, and though we welcome you many, many more times, it could not be more genuine and sincere than the welcome that we feel in our hearts.

You have come to a typical, if not unique, American city. It is not our purpose to sing its praises to you who have hearths and homes which you love, but it is merely to give you the key to its secrets, that you may enjoy them while you are here and carry away with you any of its beneficent blessings that you may choose.

And so it is a strange city, with the conservatism of the East, the energy of the North, the progressive spirit of the West, and the open-hearted hospitality of the South. (Applause.) As you noted this morning, it is not exclusively a city of commerce. You opened these deliberations with a concert. We recognize in Rochester that music hath charms to soothe the savage breast. (Laughter.) And so we are lovers of the beautiful and the æsthetic; we are lovers of those things which interpret life to men in its largest phases. We are proud of our homes, proud of our beautiful streets, proud of our parks and our playgrounds. We take a great deal more joy in the songs of the children than we do in the black smoke from the chimneys of which you have heard this morning. (Applause.)

We hope that while you are here you will supplement the distinguished addresses that will be rendered to you for your consideration with some time in the open air, in order that you may breathe

in some of the spirit of the city, for, after all, it is not the manufactured output of the factory; it is not the worth of the merchandise upon the shelves; it is not the clearings of the banks; but it is the spirit of a city that makes it great, the spirit of its people who have the courage and the ambition and the purpose to achieve the best things for themselves and their children. That is the kind of a city Rochester is; and we want you to know her in that way. (Applause.)

To sum up our welcome, the welcome that his honor, the mayor, has extended, the welcome that the Credit Men's Association has extended, the welcome that the Chamber of Commerce extends to you, I can only say that our jails are closed and our hearts are open. (Great applause.)

President Salisbury—We next have an address of welcome on behalf of the Rochester Credit Men's Association, and I now have the honor to introduce to you George G. Ford, president of the Rochester association. (Great applause.)

Address of Welcome by George G. Ford, President of the Rochester Credit Men's Association.

Mr. President, Honored Guests, Ladies and Gentlemen:

I am conscious of the fact that the opportunity afforded me to extend to you at this time the welcome of the Rochester Association of Credit Men is not only a rare privilege but an exceptional honor, and I can assure you that the recollection of it in the years to come will be one of my most treasured memories.

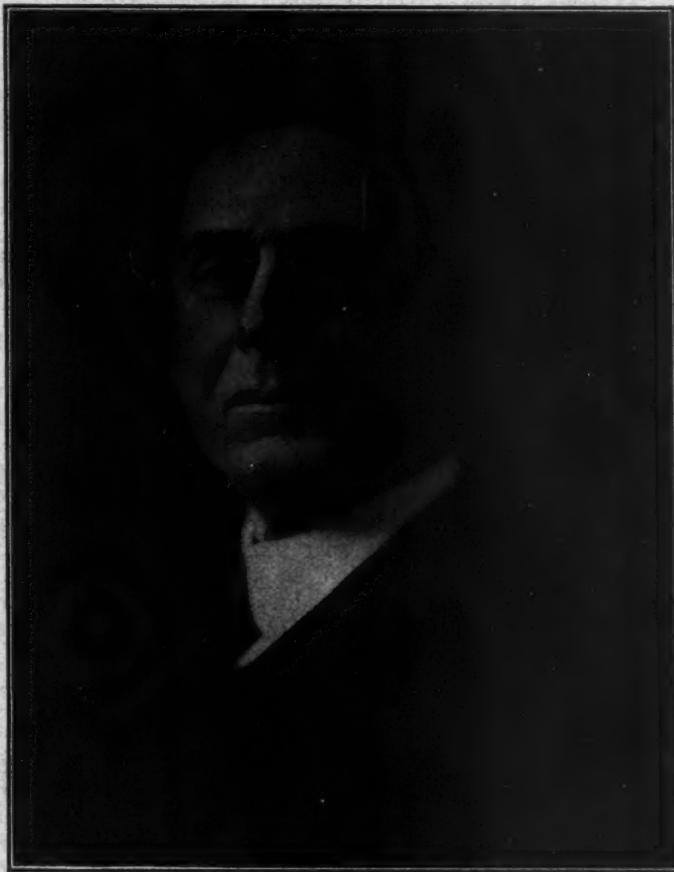
This duty, however, pleasing as it is, presses upon me a sense of responsibility which has impelled me to read my message, lest in my confusion I leave unsaid something which I most desire to say. If I ever longed for the orator's silvery tongue, I do so now. But even were I so happily endowed, I am sure I could not even then adequately express to you the sincerity and warmth of our welcome. I pray you, therefore, to read between the lines of these faltering sentences, all that I am unable to express in words, and thus find in what I have left unsaid as well as what I shall say some measure of the joy and satisfaction with which we claim you today as the guests of our association.

It has been, and it shall be, our earnest purpose so to play the part of host, that the heartiness and the warmth of our greeting may not be chilled by failure in the performance of our pleasant duty. Today we see the fruition of our hopes that the time might come when the opportunity would be ours to offer you the best that we possess for your pleasure and profit. If you leave us with kindly memories of the days spent in Rochester we shall be more than content, and will count as a real privilege all that we may have done to make your visit an agreeable one. If we may be spared untoward circumstance and be blessed with favoring skies, we feel assured that you will regard your time as pleasurable and profitably spent.

All those who have served with me in preparation for your coming have labored loyally and faithfully, and indeed gladly, and my personal thanks are due to the committees and their capable chairmen for their splendid and loyal support. However, we must bespeak your patience and consideration, if perchance, any of our best laid plans should

fail of perfect consummation, and we assure you that in such an event our regret and disappointment will be greater than yours. We are especially concerned that the heartiness of our greeting should be as apparent to the single delegate or visitor, who has journeyed far to meet with us, or who comes from the smaller or more recently organized associations, as to those who come as a part of a large delegation from our stronger organizations.

Remember that our hospitality is intended to be of but one degree to all, and that as gracious as we know how to make it.



GEORGE G. FORD

L. P. Ross Co.

President, Rochester Credit Men's Association

Many of us have very pleasant memories of the occasions upon which we have been guests of other cities and associations, and for that reason we are doubly glad that the opportunity is afforded us to reciprocate. The Rochester association acknowledges its obligation to her sister associations far and near for many evidences of friendly interest and helpful co-operation, and to the national body and its officers, from whom we have been the recipients of unfailing courtesy and many

significant honors. All this we have endeavored to reciprocate by a loyal and enthusiastic co-operation and by standing firmly by the policies and traditions of our national body. We have always felt, individually and collectively, a conscious sense of pride in taking an active part in the movement which has made so large a place for itself among the organizations of its kind, and which has to its credit such a splendid record of achievement in the things which make for better methods and morals in business, that it is well and happily named "A Builder of Conscience and Commerce."

It is with great pride and satisfaction, therefore, that our Association finds itself at this time in the relation of host to this splendid body of men, coming as you do, from all parts of our great country, representing, as you do, the foremost and best in the nation's commercial commonwealth; and we are gratified that ours is the distinction of being hosts of an organization, recognized everywhere as incomparable, not only in purpose but in accomplishment.

Membership in this great organization has been to me a highly esteemed privilege, and one which I am glad to acknowledge as having made me an invaluable contribution, as through my affiliation I have been made acquainted with its lofty aims and purposes, and have felt the influence of its high ideals. I trust I may be pardoned, therefore, if I at this time give expression to my very great appreciation of the opportunity which has been mine, to stand shoulder to shoulder with the splendid men composing this organization. (Applause.)

Our honored mayor and our highly esteemed friend and fellow citizen has told you something of the spirit of the city, and something of the city itself, of which we of the Rochester association are justly proud; a city which today flings its gates widely open to you, as you in a broader sense become its welcome guests, and which not only delights to do you honor, but in turn feels highly honored by your presence. It seems to me singularly fitting that those who have already voiced their welcome in such hearty fashion, should be joined with me in this formal though none the less pleasant duty. The Rochester credit men have ever stood for those things which make the city great in integrity and enterprise, whether given expression through the functions of the municipality or in the activities of our Chamber of Commerce, which concerns itself more particularly with our commercial and industrial life.

Rochester and Rochester's business men have made a large place for us as an association of credit men, and have accorded us so splendid a degree of co-operation and support, that it gives me especial pleasure not only to make this public acknowledgment of our obligations, but to be associated with their accredited representatives in extending to you a cordial welcome to the "Flower City."

It goes without saying that we are delighted to see so many of the ladies with us today. We would that more had chosen to grace this occasion with their presence. How fitting it is that they should be here. A convention of credit men without the ladies would seem an empty and a purposeless thing. Without them, indeed, there would be little need for credit men and small need for exercising the functions of credit men. And so today we delight to honor them, present or absent. And to those that are here, we wish to say that the ladies of our association have looked forward to this occasion with no less pleasurable anticipation than have we. Their tireless and enthusiastic

co-operation in preparation for your coming bespeaks the sincerity of their welcome, which I am glad in their behalf to extend to you.

We pray the opportunity to meet and greet each of our visitors personally. But if the many things which concern us at this time give us scant leisure for this pleasant duty, we urge you to be considerate and to meet us more than half way and not leave Rochester without giving us the pleasure of a personal word with each. (Applause.)

And now to you, my friends and fellow credit men, a final word of welcome. And though it be formally spoken, may it seem to each just as sincere and personal as though with your hand in mine and within the portals of my own home I looked into your eyes and gave you greeting. (Applause.)

I pray you to loosen the reins of your imagination until the screech of every factory whistle, the roar of traffic in the streets and the hum of every revolving wheel of industry shall seem to sound in your listening ears as a strain of entrancing music, of which the ever-repeated theme is, "Welcome, welcome!" (Applause.)

May the smoke ascending from every towering chimney seem to you to be an incense burned by the great industries of our city in honor of your coming, and in those curling vapors may you in fancy see as though etched upon the summer skies the words, "Welcome, welcome!" (Applause.)

And to the ladies, the fairest flowers in all the earth, the credit men of the "Flower City" give greeting. May you, too, give play to your imagination, and may every caressing and whispering breeze and the perfume of every June-time flower and the note of every bird that sings be eloquent of the welcome which awaits you. And if perchance the rain should fall may its tattoo on roof and window pane seem to you a merry roundelay of glad greeting. (Applause.)

And to all for whose coming we have looked long and whose presence here occasions us the supremest satisfaction, my final words are those that the immortal bard gave to fair Portia:

"Sirs, you are very welcome to our house, but it must appear in other ways than words. Therefore, I scant this breathing courtesy." (Great applause.)

President Salisbury—We have asked two of our former presidents to respond to the splendid addresses of welcome. The first is Harry New, of Cleveland, Ohio. (Great applause.)

Responses to Addresses of Welcome. Ex-President Harry New, of Cleveland, Ohio.

Mr. President, Ladies and Gentlemen:

The wrong man has been chosen to make a proper response to the words that have been uttered here this morning, extending to us a thrice welcome to the city of Rochester. But as you know, there are two men to do this job, and I am here mainly to introduce the man who is really going to do it.

The Mayor has told us that the needs of Rochester required a change of slogan. The slogan that we hear a good deal is "Rochester, Where Quality Dominates," and I am sure that the Rochester made brand of welcome that we have heard this morning means quality and that we are going to have a fine time. (Applause.)

This city has been known to all of us for many years with its seventeen hundred factories and its variety of output. We recognize as we go about the city that Rochester is a city of homes. In driving around the city the last time I was here, three years ago, I saw scarcely an apartment or tenement house; all were detached homes, and I understand that 65 per cent of the workingmen of Rochester own their own homes. In such a city high and lofty ideals naturally obtain, and it is but fitting that we bring our convention here to be inspired by the kind of men and industries that are to be found in Rochester. (Applause.)

The Rochester Credit Men's Association has always had the highest type of men in our national organization. It has been known as the "Flower City," and the very flower of our Association has come from Rochester. (Applause.) It is known also as a power city, and Rochester credit men very properly have been a power in our organization. (Applause.)

This is our nineteenth annual convention. The "Convention Daily" refers to the Toledo convention, a small affair in comparison with this, yet right from the beginning we have always had faith in our organization. We never wavered. We did not feel, as a story goes, like the man starting up in a Canadian town who thought he saw a good opportunity to open a bank. He rented a store room and put out a sign, reading so and so, banker. The first day a man came in and deposited \$200. The very next day another man came in and deposited \$250. Then the president of the bank said, this seems to be a pretty good institution; I have faith in it now and I will put in \$250 myself. (Laughter.) We have always had faith in our organization; we never had to be inspired. (Laughter and applause.)

In thanking you gentlemen from Rochester for the things that you have done, and the preparations you have made, the promises Mr. Kingsbury has made on this platform, I am reminded of an incident that occurred in one of the suburbs of Cleveland. It seems that there had been a good deal of burglary going on in that suburb, but the town marshal caught Mr. Burglar (a negro) one night, but in order to get him the marshal had to shoot. He shot, and the bullet struck the negro's watch, which, being of steel, penetrated his stomach. After a while, when he was recovering, the marshal, who was a kind-hearted man, called on the prisoner, and said, "I am very sorry that I had to inflict this wound upon you." "Well," said the burglar, "it is not what I got, but what I am going to get when I go before the judge that is alarming me." (Laughter.) It is not for what we have gotten so far, but for what I know we are to get in the next few days that I thrice thank you; yet for what you have already done I thank you. (Great applause.)

President Salisbury—When Mr. New started out I had hoped, as he gave promise, that he was going to do something for me, introduce the next speaker. But I failed to hear him even mention his name. (Laughter.) So of course it will be necessary for me to introduce to you the next speaker, almost a total stranger to you, I presume, as he only happens to be one of the former presidents of our Association who attends all the conventions, and is very active in our work. Though Mr. New has so signally failed to name him, I am sure that Mr. Fessenden, in his response to these addresses of welcome, will fill the bill completely. (Laughter and applause.)

Address by O. G. Fessenden, New York.

I have so much to say and such a short time in which to say it, that at the risk of seeming to be impolite I shall omit to say Mr. President, Mr. President of the Rochester Credit Men's Association, His Honor the Mayor, the Secretary of the Chamber of Commerce, Fellow-Members of the National Association of Credit Men, Ladies and Gentlemen and Friends—just imagine if I said all that. (Laughter.)

Of course we expected Rochester to welcome us. What city would not do it? (Laughter.) But we had no idea of the generous and warm greeting that was in store for us. I hope that we will so behave that our hosts will not regret the very nice things that they have said of us. We have among us a few old graybeards—maybe not many new baldheads—that we will have to remind, probably, that Rochester is not Kansas City or Cleveland or Grand Rapids, and that they must be good. (Laughter.) But notwithstanding this, I am sure, Mr. Mayor, that you can return to your office, call your four hundred policemen together, and tell them that as far as this crowd is concerned there will be no disturbance of their usual peaceful rest. (Laughter.)

Speaking of policemen, reminds me of a friend in the little town I came from, who was a sleep-walker. He got out one night. A policeman grabbed him and woke him up, saying, "I arrest you." "What are you arresting me for?" The policeman replied, "I arrest you for going around this way." My friend said, "Man alive, I can't help it, I am a somnambulist." "But," said the policeman, "I don't give a damn what your religion is, you can't go around the streets of Stamford in your pajamas." (Great laughter.) There is no danger of that occurring here because a credit man never sleeps. (Laughter.)

We shall have a good time here in Rochester. We shall accomplish a great deal in the matters which are to come before us. We shall enjoy every moment of our stay. And when we come to say good-bye to the old friends and new, here in Rochester, if they feel half as sorry to part with us as we shall be to leave them, we will be content. I thank you. (Great applause.)

Mayor Edgerton—Boys, never mind the warning of the last speaker, the town is yours. (Great applause.) Go where you will, do what you wish, and you will be welcome anywhere you go; and if you want anything that you cannot see, ask me or somebody else for it, and we will get it for you if we can. (Great applause.)

President Salisbury—It now becomes my pleasant but very regrettable duty to read my final annual address. (Great applause and cheers and cries of: "What's the matter with Salisbury, he's all right.")

I am very very much obliged for those kind expressions. There are still four days more for me to serve, and I should like to have some of these gentlemen make those remarks at the close of this convention. (Laughter.)

Annual Address of the President, F. R. Salisbury

To the Officers and Members of the National Association of Credit Men.

I am returning to you the highest gift within your powers, a gift so expressive of your confidence and regard that one may be deeply and justly proud of having been chosen to receive it.

The two years devoted to your service as president have been filled with gratification and pleasure, and while not imputing to myself any great share in what has been accomplished, it must be conceded that the powers of the National Association of Credit Men to defend sound credits and to influence honest business have been enlarged during this period which but encourages to stretch out for even higher things.

It is not necessary, nor would it be proper to anticipate the reports of the standing and special committees that are to be presented as we proceed with our convention program. It is sufficient to say that they reveal a year of intensive work in our several departments, and accomplishments which show the application of energy and common sense in your behalf.

I sincerely express to each member of these valuable committees sincere appreciation for their unselfish work and assistance in helping to round out a distinctive year in the Association's history.

In referring briefly to what has been accomplished by the committees, I cannot refrain from telling you how deeply I am gratified that we have performed through their agency, an important part in assisting in the enactment of the Federal Reserve Act; in improving the administration of the Bankruptcy Law; in stirring up in retail merchants a recognition of the fact that certain principles must be observed before their business will be successful; in developing our credit exchange and adjustment bureau systems; in securing the passage of commercial laws; in deepening interest in credit education and management; in announcing convincing and helpful canons of commercial ethics, and in furthering other lines of endeavor which have a direct bearing upon that for which the Association was first organized,—the reduction of the bad debt waste.

During the year I visited as your chief executive, thirty-one local associations, and kept the National office and committees under close observation. These responsibilities, while very pleasant, yet clearly show that with the growth of our Association's influence and activities the office of president of the Association is no longer merely a position of honor.

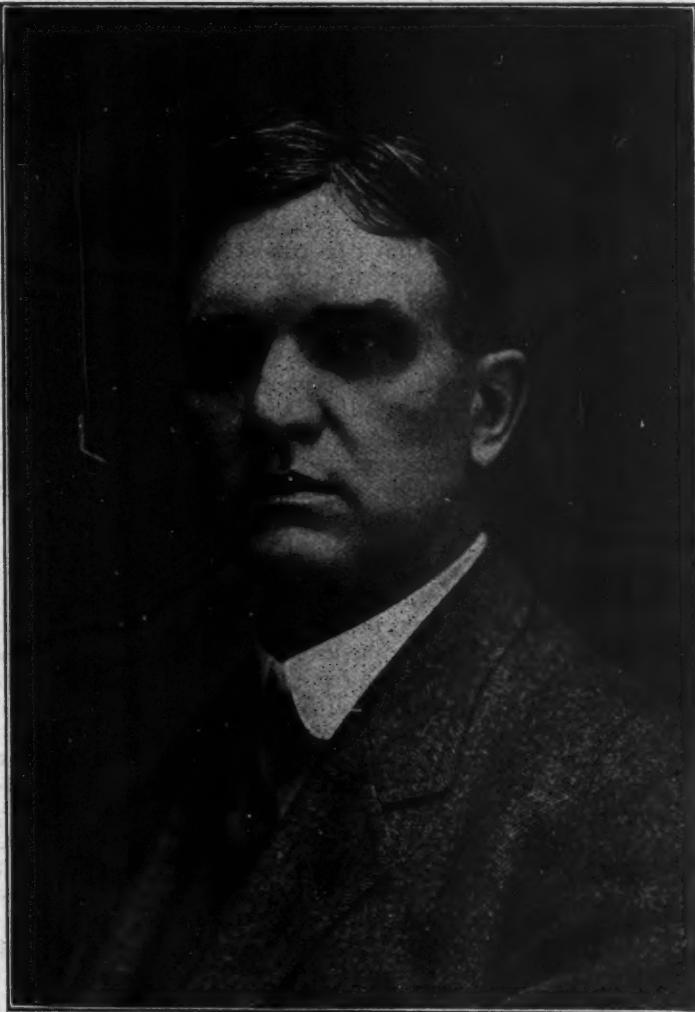
Our secretary and treasurer forbids me to speak directly of himself, but we have together enjoyed a very pleasant companionship and he is devoting his best efforts to every department of the Association's work and co-operating without reserve with local associations and individual members.

We must commend Assistant-Secretary Orr for his editorial work upon the *BULLETIN* and for supervising the publications which have proved so helpful a part in the year's activities.

The removal of the National office to more commodious quarters came of necessity; the machinery of the office is now much better located and its abilities to serve greatly increased so that response is possible to the growing demands made upon it from year to year, and your National officers believe in this change the dignity of the Association is more fittingly upheld.

Rehearsing in this general manner the accomplishments of the year, I now urge upon you a careful hearing of each of the committee's reports as they are offered and discussed in convention, and I venture to suggest to your consideration certain principles of control which, in my judgment, will tend to conserve the growing influence and powers of the Association. We should hold tenaciously to the principle that all legislation, national and state, should bear directly upon the credit system.

In my judgment it would impair the influence of the Association, were it to go far afield in publicly discussing and officially recognizing legislation which though relating to business, does not directly touch the credit system. The Association's influence will be better maintained and advanced by the concentration of efforts upon such legislation as falls within its constitutional program and to which up to the present there has been close adherence. Efforts have been made by individuals and



FRED R. SALISBURY
Salisbury and Satterlee Co., Minneapolis, Minn.
Director

organizations to have your Association take part in the public discussion of economic questions not relating directly to the credit system. We have consistently resisted such efforts. This word is merely to caution future leaders of the organization from departing into ways that might

involve our Association in criticisms of political preference or a departure from our ideal of working unremittingly for equal protection to creditor and debtor.

I urge strongly an unstinted loyalty to the national work and that all give to its representative, the National office, every reasonable support and co-operation to the end that it may confine its efforts to lines that have been carved out through our years of progressive history and which have made the Association a recognized factor in the nation's commerce. There should be no disposition in any local association to work independently, for it is of the highest importance that each unit stand in strong support of the National Association and give to the officers and committees unbounded co-operation and encouragement.

Our large and growing membership is requiring specialized study. It is difficult for a Membership Committee of the National Association to meet and handle successfully changing situations in local organizations and in the territory covered by our three field representatives. It is my belief that the time is rapidly approaching when there will have to be in the National office a membership department under the control of an assistant who can give exclusive attention to this important feature of the work and assist local associations in increasing or maintaining their membership and study the fields covered by your representatives for the solicitation of individual members.

I sincerely feel the time is ripe for an effort to raise an imposing National Fund for the investigation of crooked failures. I shall not speak more specifically upon this at present, but urge you to give special attention to the report of your Investigation and Prosecution Committee and certain recommendations that will be tendered by a special committee appointed upon authority granted me by the board at its meeting in St. Paul on October 2nd last.

There is more that I would like to say but time will not permit, for it is our wish that this convention be expeditious and not impose in any of its features upon the patience of delegates and visitors.

I cannot close, however, without conveying to you my sincerest appreciation for the confidence twice reposed in me by an election as your president; for the cordial co-operation that has been uniformly granted from every direction in meeting the responsibilities of the office, and the warm feeling that has been manifested wherever I have had the pleasure of meeting members of the Association. Altogether it has proved one of the experiences that I shall prize throughout my life.

At this opening session of the convention, may I ask you earnestly to attend all sessions, as we have important work to do, interesting and instructive addresses to hear, and those who conscientiously attend the sessions will find a recompense in the instruction received, and carry back an inspiring message to the organizations they were appointed to represent or those communities where their commercial or financial interests are located.

Let us be co-operative, kind, big-hearted, sincere in all of our convention deliberations, and express to the American people that we are doing service for them in an unselfish and intelligent spirit.

I again thank you for your attention, for your consideration and your many courtesies. (Great applause.)

During the reading of his address President Salisbury said:

I desire here to offer my testimony as to the efficiency and earnestness and the high standard which our national secretary has shown in

his personal daily work during the time that I have been associated with him. There is no kind word that I could say about him that I would not willingly say; I only feel that I have not the words to express the high esteem in which I hold him. (Great applause.)

Also, each year, in my opinion, adds to the value of the services of Assistant Secretary Orr. (Great applause.)

President Salisbury—We shall next hear the report of the Secretary-Treasurer.

(Secretary J. H. Tregoe was greeted with great applause and cheers and cries of "What's the matter with Tregoe, he's all right.")

Secretary Tregoe—I first want to express my thanks for your very hearty greeting, which makes a fellow feel as though he cannot say anything.

I have taken the liberty of dividing the report that is usually made by the secretary-treasurer, into two reports, and I shall reverse the order and give you first the treasurer's report.

Report of the Treasurer.

To the Officers and Members of the National Association of Credit Men.

GENTLEMEN:

In the judgment of your secretary-treasurer a segregation of the treasurer's report of receipts and disbursements for the year ended June 1, 1914, from the report of the secretary would be looked upon as a fitting departure, for the amount of the funds entrusted and coming to the National Association is increasing, and yet this increase is co-incident merely with the increased influence and responsibilities of the Association in all of its departments.

The directors of the Association at their meeting in St. Paul last October, appointed a finance committee which, after a careful review of the year's probable income and needed expenditures, prepared a budget for the control of the treasurer. There has been a close compliance with the items of the budget.

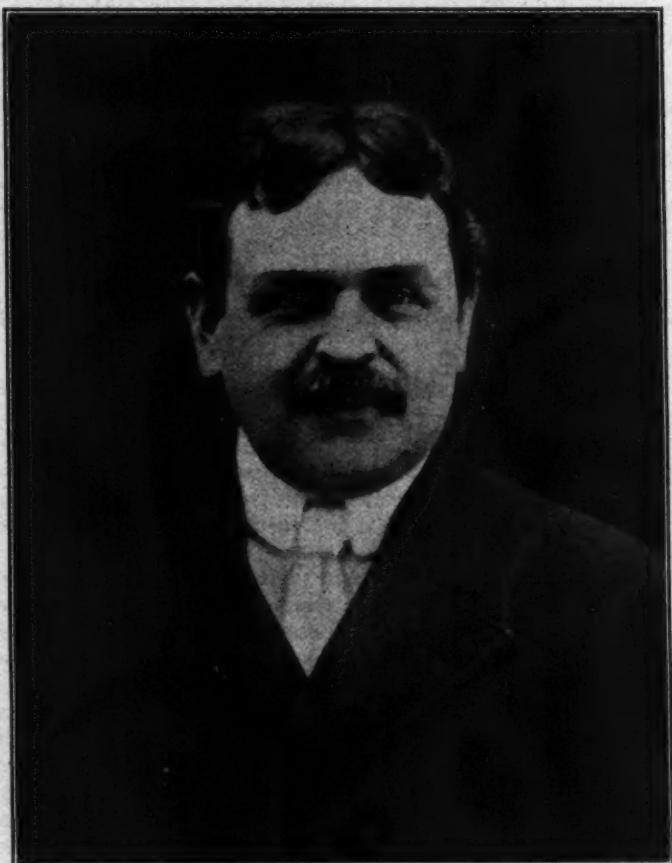
It is the belief of your secretary-treasurer that this finance committee should be a permanent part of our machinery to help the directors in observing and controlling the Association's financial plans and as an assurance to the entire membership that in this very important department there is co-operative and watchful work.

It is not necessary to recite the budget, for the expenditures of the year were approximately \$1,600 less than the budget allowance. None of the items of the budget was exceeded, except the item of legal expense, for we undertook to co-operate with the Atlanta association in appealing an unfavorable bankruptcy decision involving an expense that brought the cost of legal service slightly higher than anticipated. All other items of expenditure fell within the budget allowance, and there was a total difference unexpended as stated above.

In the judgment of your secretary-treasurer, the National Association should continue to build up a large balance in order that contingencies may be provided for without a direct appeal for assistance to members,—such contingencies as might arise were legislative efforts made inimical to credits or it were necessary that any important feature of the credit work should be defended. It has been the sincere desire of your

secretary-treasurer to build up this balance for such purposes and there is no difficulty in undertaking special programs of work such as the raising of an adequate prosecution fund or other desirable projects with a financial balance of proper proportions.

You may be sure that every possible economy has been exercised in the administration of the funds entrusted to the Association and we shall all be pleased, I am sure, that in the year ending June 1, 1914, our operations gave us the largest surplus of any year of the Associa-



J. H. TREGOE
New York, N. Y.
Secretary-Treasurer

tion's activities, and yet no item necessary to the efficiency of the Association was neglected.

It will be discovered upon an analysis of the financial report to follow that there was an increased sale of blanks during the year, and yet no increase in net income. We are satisfied at this because it has been our policy to furnish the standard forms of the Association at approximately what they cost. The standard inquiry form especially has proved popular and is extensively used.

There has also been during the year a much more extensive distribution of printed matter. The revenue from the sale of literature doubles the revenue of last year, and yet the net cost of literature has not increased beyond the cost of last year. The net income from the Diary has also substantially increased. In these three features it has been a very successful year.

With these brief notes bearing directly upon the Association's fiscal operations of the year, I beg to tender the following report:

RECEIPTS AND DISBURSEMENTS FROM JUNE 1, 1913 TO JUNE 1, 1914.

Association Dues	\$51,176.89
Individual Dues	\$15,337.53
Deduct:	
Field Workers' Salaries.....	\$5,300.04
Field Workers' Traveling Expenses..	4,475.74
	9,775.78
Net Income Individual Dues.....	5,561.75
Gross Income from Sale of Blanks.....	4,180.75
Deduct:	
Printing Cost of Blanks.....	3,803.68
Net Income from Sale of Blanks.....	377.07
Income from Sale of Diary.....	5,619.02
Deduct:	
Cost of Printing Diary.....	3,358.29
Net Income from Sale of Diary.....	2,260.73
Total Net Income.....	\$59,376.44

EXPENDITURES.

Salaries, Secretary-Treasurer, Assistant Secretary, Assistant to Secretary.....	\$13,375.02
Salaries, Employees	6,654.85
Officers' Traveling Expenses.....	2,282.13
Directors' Traveling Expenses.....	2,919.93
Committees' Traveling Expenses.....	
Rental of Office.....	1,858.34
Stationery and Supplies.....	1,793.62
Printing Literature	\$3,348.59
Less:	
Income from Literature.....	2,549.75
Net Cost of Literature.....	798.84
Cost of Printing BULLETIN.....	9,353.78
Less:	
Income from Sale of BULLETIN.....	328.34
Net Cost of BULLETIN.....	9,025.44
Legal Fees	2,879.76
Membership List (Printing and Distribution)	3,591.32
Postage	2,075.11
General Office Expenses, Equipment.....	4,110.62
Cincinnati Convention Expenses.....	1,996.21
	53,361.19

Net Surplus for Year.....	6,015.25
Balance June 1, 1913.....	15,051.40
Balance Acct. No. 1, June 1, 1914.....	21,066.65
Balance Acct. No. 2, June 1, 1914.....	269.17
Total Balance, June 1, 1914.....	\$21,335.82

According to the plan established last year the treasurer's books were audited by a certified public accountant, who verified all of the items of receipts and expenditures. He found that the Association had June 1, 1914, on deposit at the Mechanics & Metals National Bank, New York City, the balance indicated upon the report as Account No. 1, namely, \$21,066.65. The small balance in Account No. 2 is merely for sundry expenditures in the office, and the chief account is that designated as No. 1 in the treasurer's records.

Respectfully submitted,

J. H. TREGOE,

Secretary-Treasurer.

(Applause.)

Report of the Secretary.

To the Officers and Members of the National Association of Credit Men.
GENTLEMEN:

An observation of nearly every Association movement and a deep desire to protect the credit system may color the judgment of your secretary-treasurer, but he sincerely feels that the year just closed has realized for the National Association of Credit Men a substantial advancement in its influence and protective powers. This is the result of an adherence to the Association's constitutional program, the direction of its efforts in accordance with the dictates of common sense, and of the taking advantage of the well ordered and intelligent efforts of previous years.

The deeply entrenched and generally appreciated position of the Association in the nation's credit affairs should not be thought of merely with feelings of congratulation. Rather it should give rise to a feeling of responsibility that must be met and executed with a great moderation and discretion. In every undertaking arising through this responsibility there should be prominent always an enthusiastic loyalty to the fundamental ideal of equality between men in the relationship of creditor and debtor, and the building up of honest business. There is no question that so long as the Association supports high standards, recognizes conscientious effort, cultivates commercial ethics and condemns dishonorable and dishonest practices, it will receive the material support of progressive business men and have a place to fill in the nation's commercial welfare.

I shall not anticipate the reports of our standing and special committees but merely say that each will reflect careful and helpful work. It was an excellent sign of nation-wide interest that in getting together the large number of men needed to fill the places upon our seventeen standing and special committees, not one refused who could do the service. A very small number tendered reasons for their refusal that were perfectly fair and did not reflect lack of interest in the Association's progress. We are very thankful for the co-operation of these men and

desire here to say that in the entire course of the year's work there was a perfectly cordial and reciprocal relationship between all of the committees and the National office. Each report will tell its own story and when all have been presented you will agree with your secretary-treasurer, I am sure, that very distinctive history was written and pronouncements made that should encourage every worker in credits and the credit student to apply the most conscientious efforts to his task, feeling confident that such an attitude will help to advance the nation's position among the trading peoples of the world.

One of the year's encouraging signs was the development of credit education. Several classes were organized and largely supervised by local associations with a view to furnishing the student with a wider knowledge of credit principles than has ever been before attempted; and there are obvious tendencies in mercantile centers and state universities to inaugurate and conduct schools for commercial education which shall qualify not only the grantor of commercial credits but the grantor of individual credits, that is the retail merchant, to do his work in a more skillful and accurate manner.

When business is so expensively misunderstood as we have discovered in chambers where our laws are made, there is no effort to which we can more helpfully devote our resources than the qualifying of men for business administration and regulation through sound commercial education. I sincerely advocate the devotion of serious efforts along this line as an important feature of future Associational programs. We must include in our program not only the organization and conduct of special credit classes, but the development of opportunities for the education of our youth in the principles and practice of business.

Desiring to maintain brevity and directness in this as in all other of the reports to be submitted to the convention, I shall not dwell longer upon our departmental work, but tender certain suggestions which in our sincere conviction are necessary to meet successfully our enlarging opportunities and numerical growth.

Despite a year of unusual difficulties there has been effected a normal increase of membership and twelve local associations have been organized. We are now a composite body of 103 local associations and approximately 1,500 individual members, giving a total membership total and individual of 18,479.

To maintain and develop soundly such a large membership calls for specialized work, and it will be incumbent upon the directors of the Association to consider and adopt some system that will hold the Association in cohesion and induce a normal increase each year.

It may not be reasonable to suppose that the annual increase hereafter will be so large as in previous years, for the desirable and available prospects are being gathered in and yet there is a large number of credit granting banks and houses that have not yet been invited to affiliate with us.

We earnestly recommend that the officers and directors be granted every encouragement to devote careful thought to this important department of Association interest, and to leave nothing undone that will tend to a cohesion of the membership.

We shall have a peculiar responsibility in observing the organization of the federal reserve banking and currency system, a system which your Association largely assisted in procuring. We realize that should the powers of this system be unskillfully exercised, evils just as expensive

and wasteful to commerce as the crisis in the half century old system which was superseded, may result.

We recommend very earnestly a careful and thoughtful observation of this new law as its powers are unfolded under the direction of the federal reserve board and the federal reserve bank directors so that its possibilities for protection may be developed, and its possibilities for evil prevented.

As we said, we are greatly encouraged over a growing tendency to improve the administration of the bankruptcy law. There are nationwide signs of this tendency, and the Association is to be congratulated that its appeals to the judiciary, referees and credit grantors are being met in a kindly spirit; and that the possibilities of the law for equality and the decrease of commercial fraud are being demonstrated. We may devote our further efforts to this good work with enthusiasm.

It has appeared to your secretary-treasurer that our customary method of selecting standing and special committees should be changed to meet the Association's numerical growth and to give the geographical districts proper representation. A large share of the committee work naturally devolves upon the National office; but each committee should be so organized that its efforts will be encouraged and the composite activities of the committees and the National office reach successful results.

The office of your Association was removed from the sixteenth to the twelfth floor at its location, 41 Park Row. The growth of our work had so badly crowded the old office that it was necessary to enlarge our facilities; and with the approval of the finance committee and the directors, the new office was leased for a short period of years and should give adequate facilities for the expansion that usually occurs annually.

The publicity department under the supervision of Assistant-Secretary Orr has performed a very distinct service throughout the year. Acknowledgments will be cordially offered that the BULLETIN has steadily improved and that there has been issued very interesting and helpful literature.

The systematic effort through our "Credit Topics Leaflets" to educate the retail merchant has met with very general approval, and it is our purpose to continue along the lines already in play and to expand this department as necessity arises.

The details of the office under the direction of W. R. Montgomery have been faithfully provided for, and there is in his department a system and happiness of temperament which is exceedingly satisfying to your secretary-treasurer and an assurance to the Association that its affairs in the National office are conscientiously and intelligently taken care of.

It will be impossible within the scope of this brief report to present the many ideas that are constantly arising in the mind of your secretary-treasurer whereby the welfare of the Association may be promoted; but what has been presented in this report is an outline of the general effort and we may look into the future with inspiration and confidence.

There has been unfailing courtesy and co-operation extended your secretary-treasurer by the general membership and local associations. It has been his great desire to cultivate a friendliness of contact that will inspire the most helpful co-operative work; and in all correspondence conducted by him personally or by his assistants there is a

controlling desire to render service and to manifest the protective and helpful powers of the Association.

For the considerations and courtesies so generally extended and for the co-operation which has always been so unstintingly and graciously provided, we wish in the closing of this report to extend our sincere thanks.

No companionship in the life of your secretary-treasurer has been pleasanter than that afforded during the two years of service with President Salisbury. Together a large number of the associations were



WM. WALKER ORR
New York, N. Y.
Assistant Secretary

visited and your secretary-treasurer has visited many others, so that the field was largely covered during the two years of his administration. No one can appreciate President Salisbury's bigness of spirit, breadth of judgment and honesty of effort unless he has had the opportunity of meeting the president in just such confidential manner as your secretary-treasurer has enjoyed. The Association may be congratulated upon the enterprise and success of his administration.

Mr. Meek, our first vice-president, has generously assisted your secretary-treasurer with co-operation and advice; and our second vice-president and all members of the board have gladly responded to appeals for service and been very watchful in the exercise of their responsible offices. We are under special obligations to all of them.

Now in concluding this brief report may we feel the inspiration of great possibilities—the possibilities before us of helping to build a nation, each unit of which shall be honest in its relationships with the other units and of assisting in raising and maintaining in our great business commonwealth a high standard of commercial morality.

Respectfully submitted,

J. H. TREGOE,
Secretary-Treasurer.

President Salisbury—Shortly after the World's Fair Exposition in 1893 at Chicago a gentleman then residing in Sioux City, Iowa, conceived the idea that the time was ripe for an association of credit men, and he wrote to many business men of the country outlining his ideas. After persistent efforts for something like three years a meeting was called at Toledo, Ohio, to organize a Credit Men's Association, and it met in the year 1896.

Among those who were first to respond, grasp the idea and realize its value was a citizen of Rochester, who at that time identified himself with the work of the National Association. After that first meeting he came back to Rochester, organized the Rochester Association of Credit Men and has held his interest both in the national body and in the local body from that time since. He is certainly the man who is equipped, the man who is most able, to address us on the subject which is next on our program, "Holding to Old Ideals." It gives me very great pleasure indeed to introduce Daniel B. Murphy, of Rochester, who will speak to us now on the subject of holding to old ideals. (Great applause.)

"Holding to Old Ideals"

ADDRESS BY DANIEL B. MURPHY, ROCHESTER, NEW YORK.

Mr. Chairman, Ladies and Gentlemen of the Association:

I desire to assure you of my very deep appreciation of this warm greeting. I do not take it in any sense as personal to myself, but rather a grateful tribute to that grand galaxy of credit men who met in Toledo in 1896 and made possible this Association. Your very presence here to-day fully justifies the wisdom and foresight which brought about the organization at that time.

This is an eventful day in the history of Rochester. Our city has the distinguished honor of extending a sincere and cordial greeting to the most influential commercial organization in history. In its exalted mission it knows no competitor; it has none. It stands alone among the business organizations in its successful efforts in battling for the right and in upbuilding character, manhood and efficiency along all lines of commercial and financial activities. (Applause.) Its fundamental principles are based squarely on all that is conducive to elevating and ennobling human life and human endeavor.

The conception of this organization was an inspiration worthy of the highest genius. It has justified its existence. Its ambition is well nigh

sublime in the integrity of its purpose and in the attainment of a higher morality in the practices of business methods.

It may be regarded a happy coincidence that on this day and hour, practically eighteen years ago, or on June 23, 1896, the organization of the National Association of Credit Men took place in the city of Toledo. It was not in any sense a chance assemblage; it was rather directly due to an extensive and intelligent propaganda conducted largely by the indomitable W. H. Preston, then of Sioux City. In recognition of his great services in this direction the visiting delegates honored him by unanimously electing him the first president of the new organization.

There were present on that occasion about one hundred delegates, representing fourteen states. The credit men who participated in the deliberations of that convention were, as a rule, men of unusual character, ability and foresight. We may be told by predisposed critics that this characterization is more apparent than real, and that the vista of eighteen years separating us from that period unduly magnifies the work accomplished. Time and experience, the great test of all things, have fully justified the wisdom and prudence manifested on that occasion. And these same agencies will still continue to emphasize the beneficent influence of this Association as it gradually unfolds its further usefulness to succeeding generations.

I have been requested to talk to you briefly on "Holding to Old Ideals." I do not know of a better way of introducing the subject than quoting the fundamental platform adopted by the Toledo convention. In my judgment it is a classic; at least it is a significant declaration of principles that challenges the admiration of business men. It reads as follows:

"The object of this Association shall be the organization of individual credit men and of associations of credit men throughout the United States in one central body, for the purpose of rendering more uniform and establishing more firmly the basis upon which credit in every branch of commercial enterprise may be founded, which shall include a demand for the reform of laws unfavorable to honest debtors and creditors, and the enactment of laws beneficial to commerce throughout the several states, the improving of existing methods for the diffusion of information, the gathering and dissemination of data in relation to the subject of credit, and the amendment of business customs, whereby all commercial interests may be benefited, and the welfare of all may be advanced, the providing of a fund for the protection of members against injustice and fraud, and such other objects as the members of this Association may determine."

The younger generation of credit men can scarcely realize the chaotic and intolerable conditions that prevailed in granting credit at that period. It was far from ideal. It was at a time when credit men were diligently exercising their energies in opposite directions. It was at a time when every credit man was carefully enclosed within his own shell, totally oblivious to the magnificent opportunities that awaited his co-operation with his fellow credit men. It was at a time when every credit man suffered from the delusion that he was a law unto himself. It was at a time when every dispenser of credit was trained in that fatal school that emphasized his paramount duty to look with suspicion and distrust upon every other credit man. It was at a time when he distrusted his fellow credit man, but trusted the untrustworthy and the immoral and financially irresponsible. He trusted men whose presence in business was a menace

to honest endeavor. He trusted men who spent sleepless nights devising schemes to defraud and rob him of the fruits of honorable endeavor. It may be further stated that while he feared to consult and confer with other dispensers of credit, he consulted with and extended to vicious and unprincipled men the blessed boon of credit and confidence.

This was the discouraging situation that confronted the credit men at the time that this Association was organized. Some of the delegates were pessimistic; a few cynical; but a great majority was composed of earnest and determined men, who, by a process of elimination as well as construction, started out to revise the discredited business methods of the country.

Its record at the present day bears ample testimony to the great success that has attended its efforts. Compared with the scattered hundred members of eighteen years ago, we have an association today that numbers over eighteen thousand of the most prominent and successful business men of the country, every one of whom is an enthusiast; there is not a pessimist or cynic among the number. (Applause.)

What makes the work of this commercial body especially effective is the peculiar organization of this Association, with its branches established in over a hundred of the great commercial centers of the country, each with a complete directory of officers and local committees, who faithfully co-operate with those of the National Association, all working as one harmonious whole.

The commanding influence of this organization has won a worldwide recognition, for it has long since passed its experimental stage, and its advice and judgment are frequently sought on commercial legislation by both state and national legislative bodies. They are fully conscious of the great power exercised by it, not alone for the good of its representative membership, but for justice and right dealing.

The National Association of Credit Men not only stands for the integrity of business principles but it also insists on their observance by all with whom they have business relations. Its achievements in the various fields of activity have been so uniformly successful that it must constantly decline to lend its aid to other worthy outside enterprises, lest it divert its usefulness from the well defined purposes for which it was organized. This policy is not only consistent but imperative. It is entirely in harmony with the significant injunction of that master mind, formulated more than a century ago, "Beware of entangling alliances!" This salutary advice is as true and pertinent today as it was when uttered in that memorable farewell address.

We well know that with success comes responsibility, and, as becomes prudent and courageous men, let our actions ever attest our consciousness of that responsibility.

The work of the Association is directed by annual conventions, and carried on by its executive officers and standing committees. As exhaustive reports will in all probability be later presented by the chairman of each committee, on what has been successfully accomplished by the Association, it, therefore, will not be necessary for me to attempt any enumeration of them at this time. It indeed would be entirely improper to anticipate the full reports that will be presented by the committees in later sessions.

This Association has been singularly fortunate in the high character and ability of the various men who have been chosen presidents during its eventful career. It is a matter of sincere congratulation that all these

distinguished officers are still with us in the flesh, in full sympathy and support, save one, namely, that sterling and upright character, the Hon. John Field, late of Philadelphia, whose immortal spirit made its impress upon this Association and will dominate it for all time. (Applause.)

Credit men should be mindful of the fact that debtors have rights as well as obligations. Their rights are as sacred as are the rights of creditors and they should be recognized and respected accordingly. The debtor is usually the weaker man, and to unduly overreach or embarrass him is not only an unmanly act, it is more, it is a crime; but here the order of criminality is reversed, the credit man becoming the criminal.

Among the many purposes of the Association, there is one that credit men especially emphasize, and that is the endeavor to elevate the moral standing of the business man, and thereby make him a better and a purer citizen. Business men should realize that there is something in life more sacred than the accumulation of dollars and cents, and that the true purpose of life should be something higher and nobler than merely to stand guard against financial loss in business pursuits. Sterling honesty, moral worth, unyielding integrity, are great qualities within the reach of every man and they should be in his keeping.

The Association of Credit Men should aim primarily then to influence men to be honest, honest with themselves, and honest in their relations with their fellow-men. The fact has been frequently demonstrated that there are men in business with the unworthy motive to be honest so long as it serves their purpose to be honest; in other words, so long as it pays to be honest; but when it serves their purpose better to be otherwise, they do not hesitate to become otherwise. There should be no compromise with fraud in instances of this character, nor indeed with fraud of any character.

Clearly and unmistakably then, the object of business men should be something higher than mere financial gain. Men of business are not necessarily good citizens merely by making wealth. That indeed, is indispensable, for in a measure it is the basis of a higher civilization. The lot of the unfortunate savage who does not attain it, is indeed sad, but sadder still is the destiny of him who lives for it alone. Fortunate, on the other hand, are the people to whom wealth is but the means to something higher and whose true end is the appropriation by themselves, and the diffusion among others, of all those intellectual and moral goods which alone have an abiding worth and more than human value. (Great applause.) This, indeed, would be the attainment of high ideals: ideals that can be gradually reached by the faithful practice of all that is implied in the word sincerity—sincerity in all our acts, sincerity with ourselves, and the exaction of sincerity in our relations with others. Every worthy citizen owes this duty to himself, to his neighbor, and to his country.

Gentlemen, I thank you. (Great applause.)

Secretary Tregoe—Since our last meeting, that sturdy character who had been in our midst for years, our official reporter, Henry D. Goodwin, received his final appointment, and has gone with the great majority. We have a new reporter with us. He does not know you, and I would ask Mr. Monroe, of St. Louis, and Mr. Boteler, of New York, to take seats to the right and left of the stenographer, so that he will receive the names as they are announced. Speak distinctly when you arise. Do not forget to announce your name and your location very distinctly. Do not hesitate to say your say. I have asked every committee chairman and every lay speaker to speak loudly and clearly, and if those in the

rear of the hall may not happen to hear, just raise your hand, which will be a signal that you are not hearing. We emphasize that we want this convention to proceed with a punch right through, so that we may go home refreshed and helped. It will depend entirely upon your spirit and your co-operation. (Applause.)

A recess was here taken until 2.30 o'clock P. M. same day.



SAMUEL MAYER
Isaac Faller's Sons & Co., Cincinnati, Ohio
Director

FIRST DAY

Tuesday, June 23, 1914 AFTERNOON SESSION

The afternoon session of the first day was called to order by the president at 2.45 o'clock P. M.

President Salisbury—The first order of business will be the announcement of the various committees, those on resolutions, nominations, and audit. The rules for the government of the convention will be found among the printed reports. The secretary will announce the committees.

Secretary Tregoe—Before I announce the committees I want to make a few announcements. On Thursday evening there are to be three conferences and dinners. One is to be of local presidents and vice-presidents. Those local officers who have not signified their intention of attending this dinner are urged to do so not later than tomorrow morning, reporting to Henry W. Hardy, of Chicago.

The secretaries and assistant secretaries will indicate the intention of attending their special dinner to A. H. Alexander, secretary of the New York association.

Representatives of banks here will indicate the intention of attending the dinner of bankers to James K. Calhoun, of Chicago, or to W. J. Trimble, of Rochester.

These are three conferences that we hope may make history. If they prove successful we may elaborate upon them in future conventions.

I hold several communications, which I will read.

"Louisville, Ky., June 23, 1914.

Best wishes for pleasant and profitable meeting. I would love to be with you.

FRANK M. GETTYS."

"St. Paul, Minn., June 23, 1914.

Greetings. Felicitations. Congratulations on having a convention expurgate of Parker. Nevertheless am sorry that I cannot be with you to witness and help fulfil the prophecy 'blessed is the meek. For he shall inherit the presidency.'

HARRY W. PARKER."

"Cincinnati, Ohio, June 22, 1914.

Regret that physical disabilities prevent pleasure of participation in the glorious events of the week. Heartiest greetings and sincere good wishes to yourself, Tregoe and all the loyal workers in the greatest and grandest organization in America.

SAMUEL MAYER."

"Germantown, Pa., June 22, 1914.

I am full of sorrow tonight in being deprived for the first time in many years of being present at the opening of the convention Tuesday morning, severe illness alone preventing my being present. I desire to express my best wishes to the officers and delegates present for the success of every measure that will tend to increase the power and the value to the business world of the National Association and all its branches. The stalwart members of the Philadelphia association have always in the past and do now stand for every advancement for the betterment and power of our Association. Philadelphia

delegation in the present, as it has always in the past, can be relied upon to support the National office for the future betterment and success. With highest personal regards to officers and friends.

GERSON L. LEVI."

I now present the membership of the convention committees as selected by President Salisbury.

Committee on Nominations: F. H. Randel, Cleveland, Chairman; H. W. Patterson, Boston; C. W. Carnan, Baltimore; E. R. Purdy, Los Angeles; J. B. White, Columbus; C. D. Maclarens, St. Paul; M. H. Burch, Syracuse; J. C. Hunt, Lexington; J. T. Cunningham, Omaha; H. A. Stanton, Worcester; R. A. Porter, Birmingham; J. D. Nicoll, Cedar Rapids; L. O. Hamilton, Indianapolis; D. W. Binns, Nashville; H. L. Chittenden, Detroit.

Committee on Resolutions: H. G. Moore, Kansas City, Chairman; E. S. Boteler, New York; J. E. Porter, Pittsburgh; W. B. Munroe, St. Louis; J. W. Thomas, Chicago; P. B. Bethel, Louisville; J. B. Dwyer, Buffalo; A. B. Underwood, Newark; F. D. Bloodworth, Savannah; R. H. Gay, San Francisco; David Griesel, Lincoln; J. T. Young, Pocatello; Chas. Reynolds, New Orleans; R. J. Morawetz, Milwaukee; H. A. Hirshberg, San Antonio; B. W. Haggerty, Oklahoma City; J. H. King, Hartford; H. G. Barbee, Norfolk; H. M. Teaf, Philadelphia; O. S. Larkby, Cincinnati; C. S. Dickey, St. Joseph; H. S. Gaunce, Seattle.

Committee on Audit: A. C. Carpenter, New Orleans, Chairman; H. A. Sedgwick, Duluth; S. H. Anderson, Pittsburgh.

President Salisbury—The next order of business is the report of Credit Department Methods Committee, F. E. Norwine, chairman, St. Louis. In the absence of Mr. Norwine this report will be read by C. C. Robertson of the same city. (Applause.)

Report of the Committee on Credit Department Methods

To the Officers and Members of the National Association of Credit Men.
GENTLEMEN:

Your Committee on Credit Department Methods has directed its efforts in the year just closed upon three features of credit department service, only one of which refers directly to credit department technique.

There was arranged at the instance and under the direction of your committee a trade report service which gives promise of providing a safe and valuable guide when fully developed and generously supported by local associations.

Under this plan of service each of the local associations was requested to appoint a reporter upon crop, industrial, financial and general conditions. About fifty of the associations complied with the request, and the reporters have been more or less regular in furnishing the National office monthly with information.

There was a form of report devised by the committee, so simple in its requirements, that it could be filled in without inconvenience; and yet, when accurately filled in, trade conditions in and near the reporting location would be quite accurately reflected. We urgently advise the continuance of this trade reporting system and, if possible, its enlarge-

ment both as to the number of associations covered and the form in which the information may be supplied to interested members.

Your committee believes that there should be adopted as one of the Association's standard credit department forms a self-addressed property statement form. While the enactment of the Association's model false statement law is throwing certain well defined safeguards around the furnishing of written statements, yet the law is of more avail in intra-state commerce than in interstate commerce. There has been a strong tendency to prosecute the forwarders of false statements through the mails for violating the postal laws resulting in the demand for a special law that would directly prohibit the transmission of false statements through the mails for the purpose of obtaining credit. Because the violation of the postal laws lies not in the fraud nor the conspiracy to defraud, but in the use of the mails for the purpose of perpetrating the fraud, therefore the one indispensable evidence in support of a complaint for the violation of the postal laws is the production of the envelope in which was contained the statement showing conclusively that it was transmitted through the mails.

The Association has advised very urgently the appending to each statement, when received, of the envelope in which it was enclosed; but to do this meant the cumbering up of files and even with the exercise of the very best precautions, the envelope would be lost. Therefore your committee believes there should be a self-addressed property statement form adopted by the National Association of Credit Men which would show conclusively that it had been transmitted through the mails and yet its filing would be simple and convenient, and nothing could destroy the evidence of the transmission.

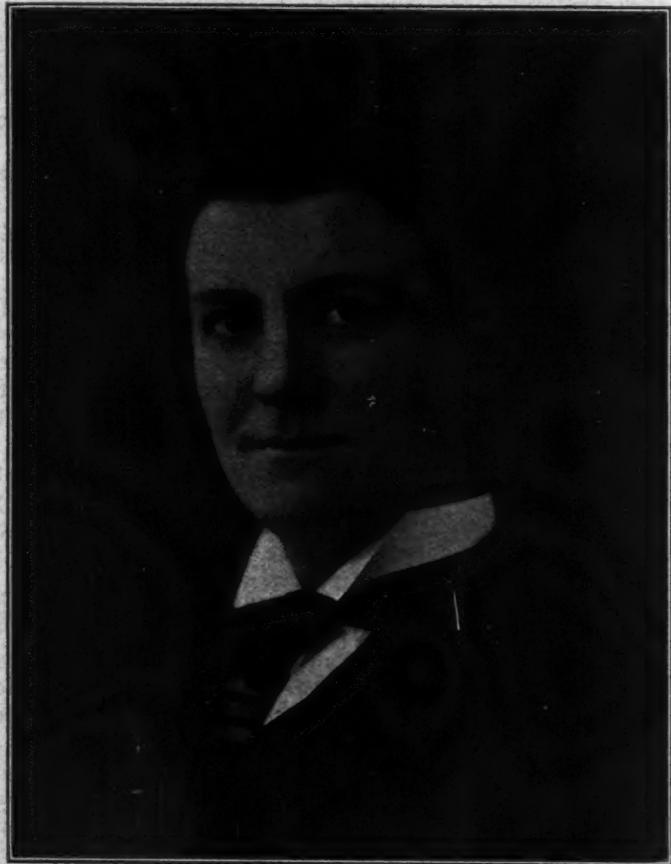
A patented form was determined on, but there arose a question over the patent rights in the states between a Canadian company and a Chicago company; and your committee felt that it could not present this form and arrange for a supply until the question of patent rights had been conclusively settled. As this report was being written the Chicago company had promised legal evidence that would support its contention as the possessor of patent rights in the United States, and it is the hope of your committee that very early in the year following the conclusion of its work, it may be possible for its successors to submit a form that will be considered standard, and prove popular with the membership.

Your committee had called to its attention, the growing practice of selling and pledging accounts receivable through the opportunities tendered by finance companies organized for the purpose of purchasing accounts receivable, whose advertisements are sent broadcast throughout the country. It had observed failures where the accounts receivable of the insolvent or failed concerns had been entirely disposed of, and there seemed clearly to have arisen through this new form of financing, a peculiar menace to credit grantors. As the practice was usually secret there were no precautions which the credit grantor could take in order to avoid a loss when the transferee of accounts receivable disposed of them with the anticipation of insolvency or bankruptcy proceedings. We realize of course, that there are other companies whose methods are perfectly legitimate and which, by thorough examination, safeguard themselves and others, by refusing to advance funds on the accounts of those not entitled to such assistance.

It was the unanimous opinion of your committee that there should be prepared by the Association's counsel on commercial laws, Julius

Henry Cohen, Esquire, a model statute for the purpose of regulating this practice; and inasmuch as it is one presenting many angles and some of them perfectly legitimate, the adoption of a statute that would please all interests concerned and yet prove sufficiently protective, has been difficult.

While the regulation of the practice is difficult, yet your committee deeply feels that proper and reasonable regulations should be brought about and that the secret pledge and sale of accounts receivable should be regulated by law just as effectually as is the sale of stocks in bulk.



F. E. NORWINE
Norwine Coffee Co., St. Louis, Mo.
Chairman Credit Department Methods Committee

Your committee in tendering these conclusions, would have it thoroughly understood that no criticism is here directed against honorable and conservative finance companies which have frequently been the subjects of fraud upon the part of the seller and pledger of accounts receivable. There should be unanimity of conclusion that the practice must be regulated in order that commercial morality may be defended.

Aside from these three direct lines of efforts, your committee believes that succeeding committees should devote critical attention to credit

department technique and the recommendation of plans, forms and systems that will economize time and effort in credit departments and materially assist in the organization of machinery that will perform a good service in the checking and handling of credits. This feature of the work has not been the subject recently of critical study upon the part of committees. There is unquestionably a large field for study in this direction.

Your committee tenders the following recommendations:

I

"Resolved," That the incoming Committee on Credit Department Methods continue the effort to adopt and announce a standard self-addressed "Property Statement Form" which shall prove convenient in filing and effectual in sustaining complaints of violations of the postal laws.

II

"Resolved, By the National Association of Credit Men in convention assembled that the secret transfer of accounts receivable should be regulated by law, and that counsel on commercial laws, in conjunction with the National Legislative Committee, should carry forward the preparation of a statute for uniform adoption in all the states that shall be reasonable and effectual.

III

"Resolved, That the system of reporting on trade conditions by local associations is worthy of perpetuation and should be carried forward on systematic and effective lines by the incoming Committee on Credit Department Methods.

IV

"Resolved, That there be exercised more critical effort to improve credit department technique by adopting and recommending forms, systems and plans that should prove economic and generally helpful to credit departments.

Respectfully submitted,

C. C. ROBERTSON,
W. B. WILLIAMS,
A. J. MURRAY,
W. A. STRAUCH,
F. B. ATWOOD,
F. E. KIMBALL,
C. W. BROWN,
J. ALFRED THOMPSON,
L. JOHN BERGMAN,
F. E. NORWINE, *Chairman.*

President Salisbury—The report of the committee and the resolutions are before you. Before offering the report for adoption there will be an open parliament thereon, led by C. DeL. Alton, of Hartford, and H. C. Coley, of Worcester. We now call on Mr. Alton. (Applause.)

Mr. Alton—There is naturally a vast number of diverse opinions as to what a systematized credit department means, but we will all agree that system must be used in a credit as well as in any other department of business.

When I first stopped to consider the value of a systematized credit department and the importance of up-to-date department methods, the thought which came to my mind was—without system how could credit men get time to do anything except watch, approve or pass up orders and collect accounts? Without system, what would happen to such a department in case the department head became incapacitated temporarily or permanently from performing his work? We owe it to our firms to record data rather than keep it in our minds.

There was the time when the exchange of goods for cash or its equivalent was done, as one might say, in the open, the buyer and seller coming face to face. Then came the time when nearly every credit grantor knew his customers personally. Now the majority of sales are made in the dark and systems must be devised and installed to record information in order to throw a concentrated light on situations. Conditions are everlasting changing and all these changes must be automatically brought together and be ready for immediate reference. The main changes are reported by the mercantile agencies and are more easily referred to than other features, such as the assets, the liabilities, the exemptions, the reported manner of meeting obligations, the previous history, the general opinion of the community as to ability and morals. A general summary of these is made by the agencies, the paragraphing of reports being a big help.

Much of the abuse of sales terms is due to the fact that a record is not kept of those firms which take extra time. I know of one firm which allowed a customer to take extra time on nine bills, each time accepting the remittance in full settlement and writing the customer that they could not allow extra time again. A record also should be kept of those concerns which do not answer letters concerning past due accounts, of those cancelling orders, those which make unjust claims, and those returning goods without permission. All items of this character bear on a firm's credit rating and must be condensed in one central place for ready reference, not only for the purpose of extending credit but to be used in answering inquiries, for the ledger account does not show these various details.

Salesmen's opinions on the credit standing of customers should be taken into consideration, and the salesmen should be advised of slow or bad accounts that they may learn better to judge their customers. The credit department and the sales department should work hand in hand. The credit men should personally know the salesmen as well as the sales manager. A sales department can kill a business by overlooking customers as quickly as a credit department can by refusing to sell enough. There is a happy medium which can only be reached by co-operation between the two departments.

There is another department with which every credit department should be linked; that is, the buying department. There are concerns, members of the Association, which are insisting on their own customers living up to terms, but which allow their buying department to slip discounts whenever they can, and if they get called they refuse to buy unless they can dictate their own terms of settlement. There should be co-operation here and the credit man should know how his firm pays its bills.

I welcome the recommendation contained in the report you have just heard of the self-addressed property statement form, and I hope a suitable blank may soon be provided. The increase in the use of the Association's form of credit inquiry blank greatly assists any credit

department which daily receives a number of inquiries, and I believe some day the National Association will have its own code of credit ratings similar to the present commercial agencies, for it will greatly simplify the answering of credit inquiries. A systematized credit department is invaluable, and it is every credit man's duty to adopt and support all methods to increase the efficiency of the profession. Perhaps the greatest benefit of a systematized credit department is that it permits the credit manager to get out and meet his customers and to study general conditions and, above all, to make it possible to take this one week a year and attend this convention and gather in the best thoughts and the best ideas of co-workers from all over the country. (Great applause.)

President Salisbury—We shall now have the pleasure of hearing from H. C. Coley, of Worcester. (Applause.)

Mr. Coley—The value of technique in credit department methods is best shown by the amount passed to the profit and loss account at the end of the year through uncollectable accounts. It goes without saying that the technique in the credit department should be so excellent, as to insure the very lowest possible percentage of loss from sales accounts.

How many, however, neglect the small but necessary details required to perfect such technique? Is it not well worth the money, effort and time required to build a system in your credit department that provides you with up-to-the-minute data upon any one or all of your accounts? Is it not a great asset to any business to have in its credit department a system that enables it to get quickly information upon a new account, even so quickly that you may have all the necessary evidence before you acknowledge receipt of orders?

It is of greater value to be able to say to a new customer, "Your order of such a date received, and are proceeding with it immediately upon our regular terms and solicit more of your business, etc," than to acknowledge the order saying, "Your order received and as this is a new account wish to follow our regular custom of asking for one or two references and possibly property statements." (Of course I am referring to accounts that, after investigating, you find are worthy of credit.)

Not only is a better start made with your new business acquaintance, but it also eliminates the so-called 'first order flir.' As we are being frequently warned from our National office, there should be no excuse for taking a "flir."

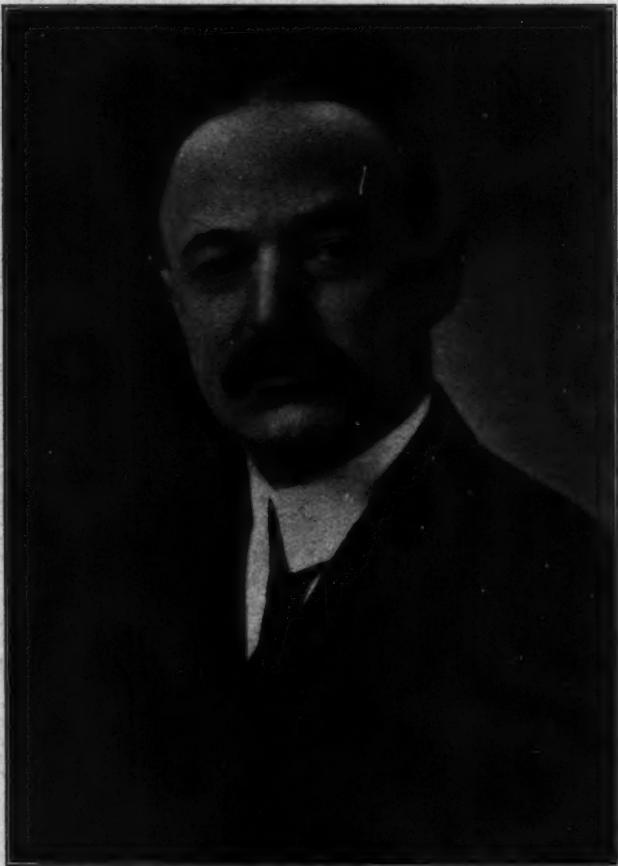
To expedite matters, would it not be good procedure to get a full measure of help from our splendid National Association, which has for its watchword "Co-operation," by wiring to members for information upon new accounts? The small expense incurred in doing so need not be considered if you become familiar enough at once with the new account to pass intelligently and immediately upon the first order.

Naturally there are cases where it would be necessary to get such detailed information that you could not conscientiously hold the order long enough before acknowledging it, but in the majority of cases it is entirely within the range of our Association to carry out the above idea.

A case comes to my mind of one of our Worcester members who made inquiry locally of our members regarding a concern in the middle west without much success. As it was a first order and had to be de-

cided without delay, this member wired to the local association near the city in which the concern was located and received by return definite information which enabled him to approve the order for immediate shipment.

If you will pardon me for referring to personal experiences, I had a first order from a new concern. I got in touch at once with the secretary of the local association, received unfavorable information and at the same time received by telephone from an agency office advices that the party had also been in business in another New England city,



GEORGE C. MORTON
Carpenter-Morton Co., Boston, Mass.
Director

having connections with four or five different concerns, all of which were unsuccessful. I then got in touch at once with the secretary of the local association situated in that city. Information came back immediately to the effect that the party would in all probability be arrested if he should re-locate there. It goes without saying that that was all the information necessary. This happened to be an order of \$200. So the following of this simple bit of technique proved its

value. (Incidentally, it paid my dues in the National Association for twenty years.)

On the other hand, just as great a loss might be experienced, and especially an injustice done, if, through the lack of attainable knowledge, through an inefficient system, credit was denied to a new small enterprise. This loss may indeed be the more serious because it will involve the loss of business which might have meant excellent returns over a series of years. An order was placed with a house I know by a small concern some fifteen years ago and the order was declined on account of credit. Today the small concern is purchasing annually from three to five hundred thousand dollars' worth of that same material, and the firm which declined the first order cannot get an order at any price. The worst of it was that the concern at the time it gave its first order was entitled to credit; it was an extremely good risk, although small, as a little investigation would have convincingly proved. The profits on that lost business would pay for the operating of quite a credit system.

Having opened an account, you naturally complete your investigation and place all data in proper vertical files, arranged alphabetically, and have the file placed within easy reaching distance of your desk. In all probability, you will not have any definite information in any of the reports as to whether or not your party has assigned or sold his accounts receivable. As mentioned in the report of the committee just read, this is a fast growing practice and a most important consideration in the analysis of a property statement.

How are we to handle this question? It must be faced and I think that the recommendations of the committee are most appropriate, as our Association should take steps which will eventually lead to the compelling of all parties when making a statement to show that the equity in their accounts receivable has been transferred to another party whenever such is the case. All credit departments should include this in their lists of questions, for its value is at once apparent.

The progressive and wide-awake concerns of today are setting the pace in planning that their credit men should go out among the trade and come in personal contact with the men responsible for paying of accounts. Too much emphasis cannot be placed upon this feature of credit department methods, for the good will and first-hand information gained cannot be obtained in any other way. When necessary to write a letter requesting payment of account a much better letter is dictated if the writer is addressing one whom he feels he knows.

After terms are agreed upon, it is clearly the duty of the credit man to see that they are enforced, and one concern in particular that I have in mind performs this very effectively by notifying each and every account that the same is due upon the due date, not even one or two days' grace is allowed; but the day the remittance is due to be sent a notice is forwarded and if a week from that time remittance or reply has not been received another letter follows and the same process is followed a week later. This practice has been followed for about five years, and the trade of this particular concern has been so educated to the fact that remittance is expected exactly upon the due date that very few of its customers ask for any special favors.

I mention this to show the great value of following technique of this kind in collection of accounts. Form letters are not used and it

is undoubtedly a fact that the maximum of results are obtained where form letters are not employed. However, there are times, as we all know, when for one reason or another a much better letter is dictated than at some other time, and to take advantage of this particular time, I suggest that copies of particularly strong letters be kept on file and properly indexed under phrases and subjects and kept on the credit man's desk for ready reference.

No doubt if I could prove to you gentlemen that by installing a good credit system in your business your losses would be reduced enough to offset the expense of operating the system, you would all be interested. Of course the losses of some houses through luck, which is mistaken for intuition, are at a minimum, and the best system would not reduce them. I feel quite sure, however, that a well devised system of handling credits would show a great saving in most business houses, just as statistics show that the number of failures has perceptibly decreased since the organization of the National Association of Credit Men in 1896. (Great applause.)

The resolutions as offered by the committee were then read separately by the secretary and on motions, duly made and seconded, each received the unanimous endorsement of the convention. There was no debate on any except on the second and fourth resolutions, as follows:

Secretary Tregoe—The second resolution reads as follows:

"Resolved, By the National Association of Credit Men in convention assembled, that the secret transfer of accounts receivable should be regulated by law, and that counsel on commercial laws, in conjunction with the National Legislative Committee, should carry forward the preparation of a statute for uniform adoption in all states, that shall be reasonable and effectual."

Charles Biggs, New York—I move the adoption of the resolution.

C. W. Hughes, St. Louis—I second the motion.

H. L. Eisen, Milwaukee—I move that the word "secret" be stricken out. There is no secret in the law.

Secretary Tregoe—Would you permit me to explain in behalf of the committee? The word "secret" means here the transfer of accounts where neither the debtor nor the creditor has been notified, where no notice is placed. That is what is meant by the word "secret," where the one owning the account has not been notified, nor the creditors of the vendor notified. That is what it is intended to regulate.

President Salisbury—The chair hears no second to the motion offered by Mr. Eisen. Are there any remarks?

W. E. Rice, New York—Do I understand that the transfer of receivables means a pledge?

Secretary Tregoe—A pledge is not transferred, Mr. Rice. It is a sale or pledge, and we use the word "transfer."

Mr. Rice—An absolute transfer as well as a pledge?

Secretary Tregoe—That is right; sale or pledge.

Motion put and unanimously carried.

Secretary Tregoe—The fourth resolution reads as follows:

"Resolved, That there be exercised more critical effort to improve credit department technique by adopting and recommending forms, systems and plans that should prove economic and generally helpful to credit departments."

Frank Kilmer, Worcester—I would like to move a substitute resolution, if it is not out of order, as follows:

"Resolved, That a special committee be appointed by the chair, to consist of as many as he shall deem advisable, this committee to consist of members drawn from the same locality, to serve for one year, to recommend forms, systems and plans as shall prove economic and generally helpful to the credit departments."

President Salisbury—Does the substitute motion meet with a second? The chair hears no second. Does the original resolution meet with a second?

E. F. Sheffey, Lynchburg—I second the original motion.

Motion put and carried unanimously.

President Salisbury—The next on the program is an address by Dewitt B. Thompson, D.D., Syracuse University, Syracuse, N. Y., and I take great pleasure in introducing Dr. Thompson to you. (Great applause.)

"Surplus"

AN ADDRESS BY DEWITT B. THOMPSON, D.D., SYRACUSE UNIVERSITY,
SYRACUSE, NEW YORK.

Mr. President and Delegates to the Nineteenth Annual Convention of the National Association of Credit Men.

I had a part in this speech for the ladies, but they are conspicuous by their absence, so I shall confine my remarks altogether to those who are a little below my level rather than above it. (Laughter.) For I know mighty well that you are in need of comfort, and the colder the comfort today the better you may enjoy it. (Laughter.) I know from my experience during the time of my relationship with Syracuse University that men who are in the financial world cannot escape trouble. Job said that man was born to trouble, as the sparks fly upward. And he was thinking of the financial man. (Laughter.) I read something the other day that moved me deeply, illustrating this point. It gave me thoughts too deep for tears.

It read like this:

"The ducks are glad when the days grow dim,

"And their lucky stars they thank;

"And as to their home on the shore they swim,

"They have interest in the bank. (Laughter.)

"But fate to the fowl is never kind,

"And fortune favors but few,

"Alas! in the morning on waking they find

"Their bills are all overdue." (Laughter and applause.)

I consider it a high privilege to be here to speak today to men of your type. But I am bound to remind you that your practice is contrary to the well established order of nature, if you are willing to accept high authority, for Mr. Lowell has said: "Pin this up in your memory. Nature abhors a credit system, and we never get anything in this world until we have paid for it. I mean anything good. We get the things that are evil, and we pay for them afterwards, and often at a time when we can least afford to settle." And Mr. Huxley was not at variance with such an opinion when he wrote to Charles Kingsley and said: "The

ledger of the Almighty is accurately kept, and to every man is paid the balance of his obligation at the end of every moment of his existence."

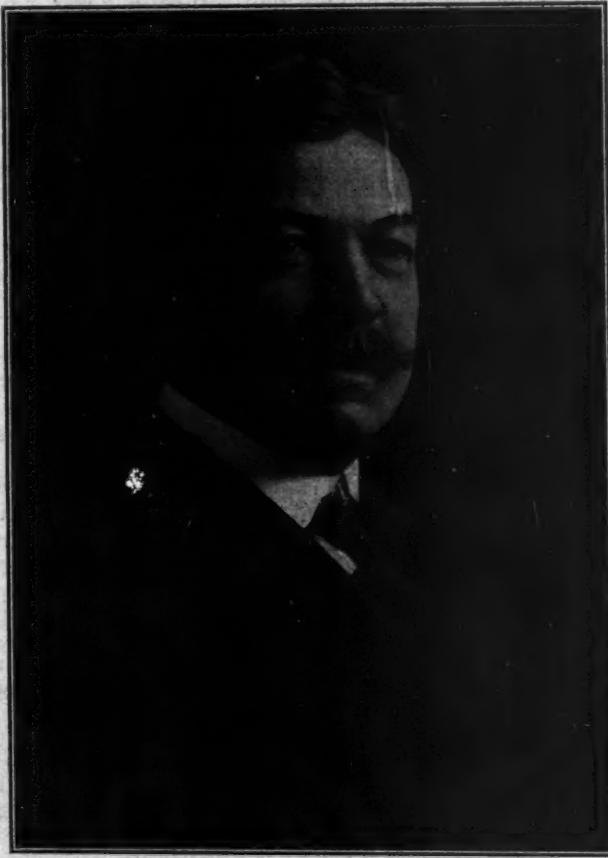
Notwithstanding this, and that you may be looked upon in a sense as violators, you are not here today in this presence, because the Mayor's foresight has closed the jails. (Laughter.)

I know a little something about one of your ilk; he is pretty closely related to me. We sat upon the porch together two weeks ago yesterday, and I said: "Tell me a thing or two about your job; is it your policy, when you see a man staggering under his load to crowd him to the wall?" "No," was the answer. I said, "Illustrate." "My firm," said he, "had dealings with a man who had proven worthy of our confidence up to a time, when the street in front of his place of business was torn up. People did not find him necessary to their comfort or their existence and went elsewhere to trade. He became slower in his payments, and finally it was announced that he had gone into bankruptcy and would compromise with his creditors for thirty cents on the dollar. We accepted the compromise. He moved into another street and opened up business in a humble way, and came into my office and said, 'May I have credit to a limited extent?' I replied, 'I will consult my employer.' I went to the employer, who gave the verdict, 'Not on my responsibility.' I then asked, 'May I give him credit on my responsibility?' The employer said, 'Yes, to a limited extent.' So I went back to the man and said, 'I will give you credit here for a hundred dollars, up to that limit.' The man expressed his appreciation and came back until the limit had gone to \$500, and he was paying promptly. Then he went beyond that, and I went to my employer and said, 'See here, if I am to stand under the responsibility for giving this man credit it is time I had a larger share in the profits of his business.' The employer replied, 'I guess the firm is willing to take over the responsibility now.' And it did."

This man came back to his old time prosperity, simply because one of you men gave him credit for an honest purpose. The credit man has been in his place for thirty years, so he could not have spoiled business much by such confidence. I said to him, "Which is the larger asset in a man's life, as you have trade relations with him, his character or his money?" The reply was, "Character with me counts from one-third to one-half." Not altogether different in his judgment from the one who gave his testimony at Washington within easy recollection when he said he would loan a million or millions to a man who had character and had too little money, when he would withhold the million from a man who had money and had no character. (Applause.)

I should indeed lack a sense of appreciation if I were not proud of the high privilege of speaking to men of your type. I am announced to speak of "Surplus," and the thoughts that I shall bring were suggested by what came to me one day from a bank, over a letterhead, and it contained these words: "The roll of honor bank." I did not know what that line meant as related to that bank, but upon inquiry was informed that of seventy-five hundred national banks in this country only thirteen hundred have surplus and undivided profits in excess of capital. And this little bank in a country town on St. Lawrence River was one of these institutions, and claimed the high distinction and the right of being on the roll of honor. That gave me a thought or two. I said, no man gets on the roll of honor, no nation gets on the roll of honor, unless he or it shall carry a surplus. (Applause.)

You do not expect me today to speak of a surplus like that which gave this high distinction to that bank. I do not belong to the class that has any such surplus in its clothes. (Laughter.) I am a preacher. You would not suspect it? Well, that does not embarrass me any, don't let it embarrass you. (Laughter.) I have been the victim of mistaken identity many times. Would you like to hear about it? Twice, where they ought to know the real thing when they see it, in New York City, I have been taken for Bob Fitzsimmons. Thereby hangs a tale which I have not the time to tell. Once I have been taken for a pickpocket; once for a news-



-W. M. PATTISON
W. M. Pattison Supply Co., Cleveland, Ohio
Director

paper reporter—I used to think that was pretty nearly the unkindest cut of all. (Laughter.)

Now get serious, for within recent days I was taken for the present incumbent of the White House. (Laughter and applause.) You can take what you please in your imagination, as I speak to you, anything that you will enjoy most, Bob, the other, or the other, or the last. (Laughter.)

I do not carry a surplus; therefore I do not own an automobile. But perhaps the real reason is, my house is already mortgaged. (Laughter.)

But I want to tell you that I own a fourteen-year-old mare (laughter) and she can go at a 2.20 clip under favorable conditions, and that is as fast as a man who has not a clearer title to immortality than I have, ought to ride. (Laughter.) But we have good times together, better times than you have with your equipment, your outfit. When she hears me put my foot on the approach to the stall in the morning, she calls me, and you have heard that call, and I go in and say, "Well, how are you this morning Carrie T.?" I saw a man this morning working to get some response from his machine. (Laughter.) It spit at him once or twice, and then I saw the air getting so blue around him, although I was a block away, that I withdrew at still greater distance. (Laughter.) Finally he pushed it off into the gutter, mopped his brow, and, saying things that ought not to be repeated in a respectable person's presence, he went off somewhere. I put my horse's face by mine, and I rub her soft nose, and feel her breath, as sweet as the fragrance from a garden of June roses. But, my,—the breath of your outfit! (Great laughter.) I have often thought, excuse me, that it was worse than the aroma from a skunk on a wet day. (Laughter.) I was brought up in the country and I know what that aroma is. Then I look into her headlights, and as she looks into mine, and I talk to her, and her ears are put forward; and those headlights do seem to flash intelligence. And I say, to her, "Well, Carrie T. what are you thinking about anyhow?" Then she comes a little nearer to me and we have a little more fun. What do your headlights ever say to you when you look into them—gasoline. (Laughter.) When the workings of your outfit get a little chilled, the machine does not go; but when the workings of my outfit get a little chilled, and I go down on a soft frosty day on State street, in Syracuse, when the chancellor is out of town, and I pull the reins over my chilled workings that are before me in the harness we go some. (Laughter.) And I know that some of you, as I tell this story of my good time, find your sentiments expressed in the lines that someone has written:

"I have a humble longing that has never been confessed,
"A longing I have striven in vain to bury in my breast;
"I would go out once more when the day is not hot and muggy
"And ride behind the ancient horse, and in the old-time buggy.

"I often wheel along the road in someone's fine machine
"At such a pace I cannot tell a brown field from a green;
"But I would amble out in peace, unheeding what they say,
"And watch with joy the ancient horse flick ancient flies away.
"I never see a landscape now but it goes scooting by
"With gales of wind and clouds of dust before my goggled eyes.

"The pensive cow goes galloping, the hens go skipping past,
"If anything seems peaceful, I know it will not last.
"I have no great ambition, I have no desire to shine
"As a hero in accidents in the automobile line.
"This is a plebeian longing, without quibble or remorse,
"I want the old-time buggy, and I want the ancient horse."

Now that I have to dispense with this luxury, because of a failure to have this surplus, I might be worse off with it. Some who have it have to flee the country to keep out of jail. (Laughter.) While if you shall have the surplus and other shall have it, it means that you come to high distinction on the roll of honor.

I may already have hinted, if I have not said it exactly, that wealth is not surplus. That certainly does not bring to men a surplus of happiness, else the richest man in America would not have slept last night with a button so near his bed that he could press it at any second of time during his wakeful hours and flash a light all around his dwelling to see if the twenty men stationed to protect him, were on the job. What shall a man profit if he shall gain millions and be robbed of his slumber? Or what shall be given in exchange for sweet repose? (Applause.)

Ah, well, this may be so, that we all have the yellow streak. (Laughter.) And so our cry, like that of Hood, is for:

"Gold! Gold! Gold! Gold!
"Bright and yellow, hard and cold,
"Molten, graven, hammered and rolled;
"Heavy to get and light to hold;
"Hoarded, bartered, bought and sold,
"Stolen, borrowed, squandered, doled:
"Spurned by the young but hugged by the old,
"To the very verge of the churchyard mould;
"Price of many a crime untold;
"Gold! Gold! Gold! Gold!
"Good or bad a thousandfold
"How widely its agencies vary—
"To save—to ruin—to curse—to bless—
"As even its minted coins express,
"Now stamped with the image of Good Queen Bess,
"And now of a Bloody Mary."

Tainted money then as well as now, if Hood shall be telling us the truth in these lines. Well, notwithstanding this, and that the Good Master has told us how hard it shall be to enter the Kingdom of Heaven, seeing the rich so well received into the Senate and into the Church, we are a little bit like the boy who, when his mother said, "Johnnie, if you go to the circus you cannot go to Heaven," replied: "Well, ma, I don't expect to go everywhere." (Laughter and applause.)

But the fact of it is you cannot get anywhere without money. It is well enough for Emerson to shout down through the years, "Hitch your wagon to a star"; but that is easier said than done. The nearest and cheapest mode of transportation which some of us have is the trolley, and that costs a nickel, except as I found in my travels of hundreds of miles during this past winter, in Cleveland, where they had the best trolley system that I struck, you could ride for three cents. (Applause.) And I might say that they had that old Illinois Central in Chicago, that old paving engine, belching gas and smoke, with its train of cars that takes you out to that classic center, Hyde Park, skinned by as many miles as the distance between the earth and the sun. There is no applause by the Chicago men on that. (Laughter and applause.)

You cannot get anything without money. Nothing is cheap, someone has said, but life and Swedish matches. I do not know so much about Swedish matches, but when I sat on the river bank this morning and saw men with high boots going through that water, and when they climbed up on the Lehigh Valley platform, one brought up two revolvers, and the other two bowie knives, and I thought then that somebody thought that life might be cheap, and had settled the problem is life worth living, or that there was a homicide or a suicide.

But I want to say to you that I have not gotten to the point of converting you yet. If you are looking with the "green eye" at the men who have inherited millions, it may be well for you to remember that they are envious of you. I read something the other day with a plaintive tone in it, because it was a statement of the yearning of one such. It ran something like this: "Of course I have millions, but I did not have the fun of getting them; I missed all that fun; I inherited them, and I do not know whether I have any ability or not; I have never been tried out in the marts of trade, in the lists of competitors. And so here I am. They rail against the idle rich, but what shall the rich do who get millions as I have gotten them?" And sure enough, what can any man do who has not found himself? No man ever has done anything. The men who have found continents and found stars and found the forces of nature, are the men who have first found themselves.

And then what did another say when he was thinking of the time when he must strike a balance for the eternal world. You know what he said to his heirs, as it is reported in the preamble of his will. It was not as to how they should handle his millions that he might leave, except as he says, that if I shall have failed to reckon with men who have claims on my estate in any way, see that those claims are satisfied; but he spoke of his faith through which he had hope of immortality. He said: "So far as this faith is concerned, I want to stand ready at any time to contend for it, even unto death. That is not said that I may propagate the faith, although, thank God, it is my possession; but it is said to show that men, when they weigh themselves in the balance, in the white light as it begins to beat on them from the eternal world, know that they have not the surplus that would be current in the time that is to come."

And possession is not surplus. You may take an ox and polish his horns and polish his hoofs and deck him with ribbons, but he is an ox still. Ermine does not cover vermin, for some judges fall; else why this outcry for the recall of the judges in some quarters. Broadcloth does not necessarily imply that a man is walking in the narrow way, else that man with the broadcloth would not have interrupted a religious service a little while since, and did walk the plank, that is the narrow way to the island just off from old Manhattan.

One may go through a university that is renowned for high scholastic attainment, and after all with the opportunities which he may have had, he is a muttonhead still after he gets his sheepskin. (Laughter and applause.) That is a slander on the muttonhead, because when you can skin a muttonhead it is worth something on the market; but you can skin a man—and some of them ought to be skinned—and his skin is as valueless as he was. A friend told me that among his certain college mates there was one who was a ne'er-do-well, a Micawber, and nothing ever dropped; but he got his diploma somehow. One day he came to this friend of mine, who was telling me of the circumstances, with a rosette on his coat, and said, "I want you to buy one of these." My friend inquired what it was, and the reply was, "You touch that and it will squirt water in your eye." (Laughter.) "What good will that do if it squirts water in my eye," asked my friend, "what value has it?" "Well, I have got to do something." "Why," said my friend, "is it possible that a man who has one side of a wall in one of the rooms of his house covered with diplomas is obliged to resort to such a silly device to live?" and the reply was, "Yes, for those diplomas do not subsist me." That is the way he put

it. He had gotten his diploma, too—not at Syracuse, but somewhere else.

And of course men may have these things, and be elevated to high positions, and yet they may have no surplus such as I am aiming at. One who had all power politically over one party in this state for two score years, perhaps, in the last years spent his time largely in the divorce courts; and his own testimony, at the age of 72, after this high position, was: "I have seemingly lived in vain, so far as having done much for my fellow-men is concerned. And were I to live life over again I should live very differently." Oh, he ought to have carried a splendid surplus for his fellows that they might draw on, and yet he confessed himself as having been a pauper in the midst of his needy fellow-men.

Power is not surplus. We say that power makes men sober. Power makes men drunk, too; it is the worst kind of a drunk. Pope says, "Sitting in state, majestically drunk, proud as a peeress; prouder as a punk."

Power made Napoleon drunk. One day, in his experience, he came to a cold water proposition, for it was Wellington at Waterloo that toppled him over. (Applause.)

"The cliffs of Dover yonder are lined with thousands who are shouting in loud acclaim, and Charles II is returning to the throne of his ancestors." And who was this Charles II? One of the most lecherous kings that ever wore a crown or swayed a scepter. There is a contemporary of this king who had waged a war against tyrannical prelacy, who had fought so desperately that vision had failed him. He wrote an immortal epic, which unscrupulous publishers got from him for twenty-five dollars. His own daughter took advantage of him in the market-place. One day Charles II and this blind old warrior met; Charles pointed the finger of scorn at him and said, "You ought to be blind and you ought to be lonely, for this is the judgment of Almighty God upon you for the war you have waged against tyrannical prelacy." But who was this blind old man? It was none other than he who could sit in his blindness and turn his sightless eyeballs toward heaven and sing:

"Yet I argue not against heaven's hand or will, nor bate a jot
"Of heart or hope; but still bear up and steer right onward."

I ask you who had the surplus that day, Charles II on the throne or John Milton in his blindness? (Applause.)

Power is not surplus or Rome would be on the map today and have a seat in the parliament of nations. But I have already been a transgressor and I hasten to the close.

In what does this surplus consist as you and I would know it? Call it reserve, if you will. It consists in the quality of our friendships. A man is known by the company he keeps. In other words, his company is Bradstreet, which gives him his rating. There was a great outcry a little while ago because three men who had been behind prison bars had been allowed, when a man was facing the electric chair, to testify against him. But what else could you expect? They were the sort of friendships that he had in that great borough of Manhattan. So when he came on in that court and was facing death, there were not men of your type that would take the stand and bear testimony to his virtue. If we were to go into court I think that we

could find men testifying for us. A friend of mine went into court as a witness a little while ago, and the clerk of the court asked him to raise his hand, and was about to administer the oath, when the judge, whom I know very well, one of the most upright judges on the bench, said, "Never mind administering the oath to that man. I know him, and we will take his word in this court when he is not under oath." Now what do friends like that mean to us? They are able to keep us out of jail? Well, hardly that, if we deserve to go to jail. But they keep us at our best—at our best, in this city where we are today. Some one has said, "The wicked flee if no man pursueth," but he goes a mighty sight faster if one goes after him. (Laughter.) Suppose the temptation should come to us to go wrong. Before us would come faces representing friendships, outside of the little circle of kindred which would hold us steady, for we would know that to go wrong after we have given them leadership and furnished ideals in life for them, would shake the foundations of their lives as with a moral earthquake. I do not know how you feel about it, but I thank God that I have such friendships and that my friends have great expectations of me, and that they do not discount me one iota in the integrity and the honor and the veracity that I profess to carry.

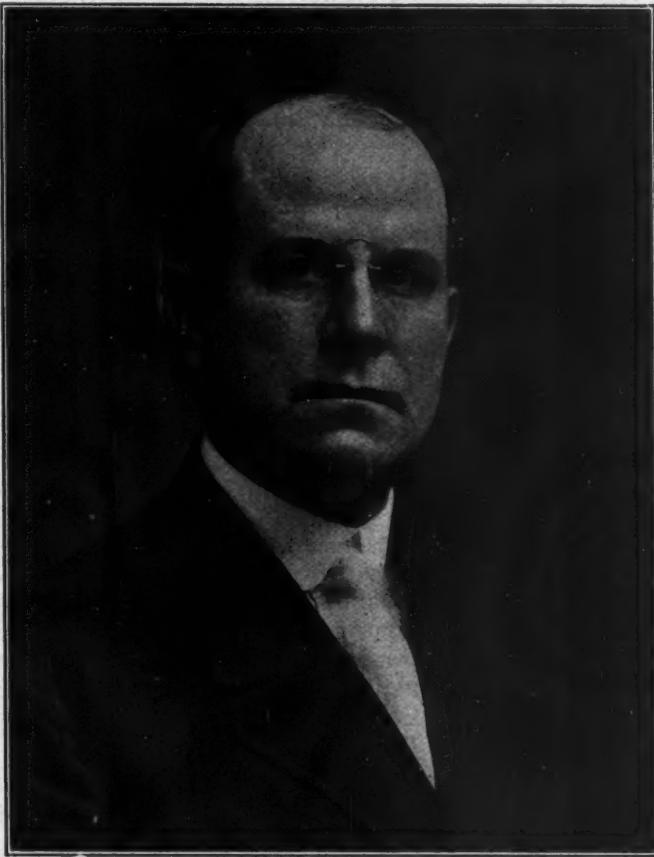
If a man does not lie, it means a great deal in this day in which we live. Some creatures lie. Some lawyers lie—not all I do not say, but some. Some business men lie. Politicians all lie. In fact everybody but credit men lie at times. (Laughter.) And I say, to have the tribute paid, as was paid my friend, and to think he is my friend, it gives me some reserve, as I am away from home and exposed to some temptations that still abide in this reformed city of Rochester.

But a man must carry it after all in himself, and because he carries it within himself, he has the reserve I have spoken of. Men do not invest where there is no expectation of return. The time comes to all of us when we must step out and alone. We must show whether we have got the reserve. Are you not always interested in watching the fellow leave the bench, where he may have been beside his coach, and where he may have been sitting by the side of his follow-men on the team, and walk out to the plate and take the bat. Now a coach is all over the field and has the loyal co-operation of his fellows, through which he may have gotten much of his prowess and skill, and he must see if he can get a line on the upshoot, or the downshoot, or the outshoot, or the inshoot, and make a hit. So it is with every man. And the men who have made history are the men who could walk out to the plate and get a line on the shoot, and make a hit. They have had this reserve. They could stand, if necessary, like some mountain peak can stand, alone. The little flat hills must stay there if they will, but after all it seems able to stand alone.

Take the men who made our early history. I would not detract from their intellectual acumen, from their statecraft, from their strategic grasp; but what enabled Washington to impress himself upon Virginia, and Jay upon New York, and John Adams upon Massachusetts—and I might name a score of them if I had the time—yea, to impress themselves on this nation? We know it was the mighty reserve that they carried, the mighty power of personal individuality, as the result of moral quality. Come down the years, until we come to one who has been likened to the tallest white angel in a thousand years, and while we may concede everything to him for intellectuality, for statecraft, for strategic grasp and splendid leadership, yet the sobriquet that means to us more than anything

else of his winning quality, is that which tells us of honest Old Abe. (Applause.) And so such as they have been the nation's assets, and are today.

What do you raise here, as one said, stumbling about amid the rocks and briars of old New England? And the reply was, "We raise men here." Read the story of the Revolution, and that of the years that have followed, as men have gone from old New England to the halls of congress, and we find it is true they could raise men there. We have raised men in this country. And I say to you that I look upon men like



A. C. CARPENTER
Gulf Bag Co., New Orleans, La.
Director

yourselves to keep up the succession, for I was impressed this morning by what was said, that business was not an end in itself, but a means to an end; and the money in Rochester, as the secretary of the Chamber of Commerce said, was not here to safeguard so much these industries that belched their smoke to the sky as to safeguard the childhood; and that the laughter of children on the street meant more to the people of this city, the representative type of people, than did the smoke from their many manufacturing industries.

So then, men, if when I have finished I have made myself plain, and I hope I have, I shall feel that I have not come in vain.

You asked this morning, sir, what would happen if each unit of the Credit Men's Association should insist upon a high moral standard in business so far as affects the prosperity of this nation. Why, we should put to silence—perhaps we would—the calamity howlers and the kickers and knockers. We have too many of them. I believe that you believe as I do, that when loyal men show clear their metal, it is all right still here in Uncle Sam's dominions. (Applause.) They cannot take from us the mighty resources of the soil and of the mines; and especially of the soil, upon which we must depend for our prosperity.

So then as I see this ensign—and I do not discourage the significance of the other ensign—I feel like saying a word that shall be a tribute to the splendid old ship of state from whose mast head that ensign floats today.

"FOR THE COUNTRY ISN'T GOING TO THE DOGS."

When we read of rotten politics in city and in state,

When we read of juggling justice on the bench;

When the price of food makes meaner every day the poor man's plate,

And the social muck is making quite a stench;

Then indeed we may well wonder if there has not been a blunder

Been a monkey-wrench dropped in among the cogs;

But a state of abject terror would be a colossal error,

For this country is not going to the dogs.

When we hear about the trouble in the mine and in the mill,

When we read about the lockout and the strike;

When dishonor and dishonesty the morning papers fill,

In a way no decent person can like;

Then there comes the dire temptation to have doubts about the nation,

And to dread some dire disaster in the fog;

But have courage, honest fellow; don't you show a streak of yellow,

For the country isn't going to the dogs.

This grand old ship, America, has weathered many a gale,

She has sailed through many a thicker fog before;

And her crew, it has the habit of not knowing how to fail

Howso'er the boisterous winds around may roar.

She is strong, staunch and roomy, and although the signs be gloomy,

Let us leave the coward croaking to the frogs;

Let us face in manly fashion, both the panic and the passion

For this country is not going to the dogs."

(Prolonged applause.)

President Salisbury—I am going to take the liberty of changing the program very slightly. Secretary Tregoe advises me that the Hon. Carter Glass is here and ready to appear before us. We will very gladly give him the platform at this time and he will address us upon "The Federal Reserve Banking and Currency Law." I take great pleasure in introducing to you the Hon. Carter Glass, of Virginia. (Great applause.)

The Federal Reserve Banking and Currency Law

ADDRESS BY HON. CARTER GLASS, OF VIRGINIA.

Mr. President, and Gentlemen of the National Association of Credit Men:

I cannot begin to tell you how greatly indebted to you I am for the compliment of your invitation to address you this afternoon. Upon the advice of my physician I, three weeks ago, cancelled all of the invitations I had accepted to speak throughout the country, except this one, which I declined to cancel. (Applause.) I declined to cancel this appointment for the reason that I felt a deep personal obligation to keep it. I recalled that at the very inception of this movement for banking and currency reform in the Sixty-third Congress, there came to Washington men representing the currency committee of the National Association of Credit Men, Mr. Endy, Mr. Tregoe, Mr. Joyce and others, who gave me infinite aid and encouragement in the work thereof. Therefore, I felt that I must keep this appointment.

But I am not a speaking member of the Congress of the United States. I have been a member nearly fourteen years, and in all that time have occupied the attention of the House of Representatives only about six times. And if you could know or approximately realize what a difficult and painful thing to me is this matter of public speaking, I am sure you would be willing to concede that the honor that you do me in inviting me here is largely requited by the fact of my presence. (Laughter and applause.)

For more than a quarter of a century it has been realized in this country that there were radical deficiencies in our banking and currency system, and for at least twenty years there have been repeated efforts made to correct these defects. We have been for that period of time the scoff and ridicule, not only of the practical banker but of the scientists and text-book writers of Europe. Our own thinkers, who have given study to the question, have repeatedly pointed out to the Congress that we were operating under an antiquated and out-of-date banking and currency system, and that we had prosperity in America in spite of, rather than because of, our banking and currency system.

In the consideration of the system, we discovered two fundamental defects. One, and the first, was the rigidity and inelasticity of the national currency itself; and the other grievous defect was the fictitious nature of our bank reserve system.

As you know, our national bank notes and greenbacks are based upon the nation's indebtedness; they are not at all responsive to the business requirements of the country. In brief, if the aggregate capital of the national banks of any given community be, say, five or ten millions of dollars, that represents, under the old system, the aggregate amount of aid that the national banks in the matter of currency could extend to a given community. If the sum of the national banking capital of this city of Rochester is twenty millions of dollars, that represents at all times, in slack season or in times of stress, the measure of the ability of the national banks of this community to respond to the currency requirements of Rochester, albeit those requirements may be two hundred millions of dollars rather than twenty millions of dollars.

There is under the old system a certain amount of currency that may be issued and no greater amount may be issued. We have gone

upon the supposition that we never needed any more currency than might be represented by the aggregate of the 2 per cent United States bonds, and that we never need any less than that amount, although the fact is that frequently we need very much more and again frequently we need very much less. There could not be, under the system, the necessary expansion when there was demand for credit and for currency, nor could there be the necessary contraction when there was no demand for credit and currency.

We may say, therefore, that our currency system has been absolutely inelastic and unresponsive to the business requirements of given communities. The fact is, that it has been more responsive to the bond market than to the needs of business. I recall that in the panic of 1907, as it was subsequently testified before the Banking and Currency Committee of the House of Representatives, one bank in the city of Philadelphia with three millions of government deposits and with one million dollars of capital had not one dollar of circulation out when the panic came, and did not issue one dollar of circulation during the panic. And why did it not? Because the state of the bond market was such that it could not do it. When the banks make more money by not issuing currency than they make out of business transactions by issuing currency, they simply do not issue the currency. So I say, the old system has been responsive to the bond market and not to the business requirements of the country.

Now, then, we have sought in this Federal Reserve Act to remedy that system and within a period of twenty years to refund gradually the United States 2 per cent bonds into 3 per cent bonds, and thereafter base the national currency upon the soundest security that anybody can imagine, that is, the commercial assets of the business men of America. (Applause.)

So that hereafter, instead of having a currency inelastic at all times, that never retires when the demand is lax, and that is difficult to bring out when the demand is urgent, we will have a currency absolutely responsive to the business requirements of the country, coming forth when it is needed, and retiring at the consummation of these business transactions. (Applause.)

Then, again, as I have indicated, we found another radical defect in the artificial nature of our bank reserve system. You understand what a bank reserve is: For every hundred dollars that you deposit in a bank, under the law that bank is required, if a country bank, to keep 15 per cent in its vaults, to meet your current daily demands for the transaction of your business. It may loan out the other \$85, but it must keep on hand, under the law, \$15 to respond to your requirements. But the difficulty is, that the law went further and directed the country bank to deposit \$9 of that \$15 reserve with the banks of the reserve or central reserve city. If with the bank of a reserve city, it in turn might deposit 12 per cent of the amount with the banks of the central reserve city. So that in reality, instead of having a reserve of 15 per cent in your country bank, in the last analysis we had a reserve of about $4\frac{3}{4}$ per cent. Now, what was the result of that system? I need scarcely recite the result before men who have had to do with business. The result of it was that when trade was indifferent, when business was slack, when there was no demand for currency, the funds, of all the country banks of the United States gradually found their way into the vaults of the great banks of New York City,

there to be thrown into the maelstrom of stock speculation, rather than being kept in the vaults of the local banks ready to respond to the business requirements of the local sections of the country. They were placed there at a nominal interest and had to be loaned out on call, and when that call came in an acute way, borrowers could not respond, and rates of interest would go up by metes and bounds. The result of that system was that credit was impaired throughout the country and disaster and demoralization permeated every phase of our public life, bringing discord to the workingman, bringing disaster and ruin to the manufacturer, the jobber and the retailer, and carrying disaster and financial loss to every part of our country; from which we would thereafter very slowly recover. Now we have presented you with a system under which it is impossible ever to have another financial panic in the United States. (Applause.)

The idea came to some of us that if in these financial disturbances and stresses the clearing houses of the great money centers, and, indeed, the clearing houses of the smallest communities throughout the United States might, by co-operation and combination, issue their certificates of credit, answering in the place of national currency for the time, the establishment throughout the country of regional clearing houses or regional banks, combining clearing house with banking functions, might prevent panics, which would be better than the makeshift extra legal method then in use which but rescued the country from panics which should never have materialized. And upon this theory we have established twelve regional reserve banks in the country, we have provided that over a given period of three years the reserve funds of the country, which, under the old system, as I have indicated, have been finding their way to the great banks of New York City, to foster and encourage stock speculation, shall be gradually drawn back into the banks of the various sections of the country, there to be held as a sacred fund, to respond to the business demands of these various sections, rather than to be used in speculative purposes.

On the 14th day of March of this current year, the country banks of the United States had on deposit with New York City alone, \$836,000,000, whereas, the country banks were indebted to New York City only to the extent of \$192,000,000. There is a common fallacy abroad that the balance of the country is dependent upon the great banks of New York, when the facts show that the great banks of New York are dependent on the balance of the country. (Applause.) Now, the difficulty is that when the stress comes, the great banks of New York do not find themselves in a condition to return the money to the balance of the country and a panic follows. Under this system we purpose to keep reserves at home; we purpose to keep money where it originates, where business creates it, so that when it is demanded, when it is needed, when it is required, it can help business and respond to business demands. (Applause.)

For the period indicated we are to return to these twelve localities throughout the United States the reserve funds of the country banks. That is to say, a given amount, one-third, as I recall it, of the reserve is to be kept in the vaults of the local bank—a little less. Another third, or a little more than a third, is to be kept in the vaults of the regional reserve bank, and a little less than a third may be kept in the vaults of the regional reserve bank, or in the vaults of the local bank, at the option of the local bank. But all of the reserve funds are to be

kept where they originate and where they belong, and where they may most readily respond to the business requirements of that section.

These regional reserve banks do not interfere with the spirit of individualism that has pervaded our banking system for the last fifty years. The system does not interfere with the individual bank in the slightest degree, nor will it in any respect. It is simply an additional medium for business accommodation afforded the banking and currency system of the country. These banks are to be managed by boards of directors, consisting of nine men. Their stock is to be subscribed by the individual member banks in proportion of 6 per cent of the total capital and surplus of each bank. The national banks are all required to subscribe to this stock in that proportion. The state banks and trust companies are permitted to subscribe to the stock of the regional bank in the same proportion. The member banks are permitted to elect six of these nine directors, who are to manage and control the regional reserve bank. Three of the directors are supposed to represent peculiarly the banking interests, and they, under the terms of the statute, may be bank officers or directors or employees of banks. Three of these directors are to be elected by the member banks and are supposed to represent the agricultural or commercial or industrial interests of the region, and they may not be officers, directors or employees of banks. The remaining three of the nine directors are to be appointed by a Federal Reserve Board at Washington, to which I will presently refer. These last three directors are supposed to represent the public at large, and they may not be officers, directors or employees of banks. Over the system and supervising it, we have established a Federal Reserve Board, with headquarters at Washington, consisting of seven members, two of the seven ex-officio, the secretary of the treasury, and the controller of the currency; five to be appointed by the President of the United States for terms of ten years, with salaries of \$12,000 per annum. This board is to supervise the entire system, but it has no banking function, except in the last analysis, at rare times. The banking function itself has been confined by the law to the regional reserve banks. These regional reserve banks do not transact business with individuals, for they are banks of banks. They have been provided to conduct the rediscount business of the individual banks of a given region. They furnish the rediscounts. And the board of directors and managers operate them just as the board of directors and managers of any national or state bank or trust company manage those institutions.

The Federal Reserve Board at Washington issues the currency upon the application of the regional reserve bank, it having first had application for rediscount from the member bank. So that the business originates, as now, with the member bank, which, if it finds that it needs funds or additional credit, simply endorses the commercial or agricultural or industrial paper in its portfolio of ninety days' maturity, sends it up to the board of directors of the regional reserve bank and asks for a discount. The board passes upon it, requests the agent of the Federal Reserve Board stationed at each one of these banks to issue currency, if currency is desired, and the board accordingly passes upon this paper.

The earnings of these regional reserve banks are to be divided as follows: A 6 per cent cumulative dividend to the stock-holding banks, free of all taxation, national, state or municipal; 6 per cent net cumulative dividend, which is a pretty good investment after all.

Then the regional reserve banks having paid this cumulative dividend, are to acquire 40 per cent surplus to enable them better to respond at all times readily to the business demands of the various communities. Having paid the cumulative dividend and acquired the surplus of earnings, any excess is to go to the United States government for the purpose of strengthening its gold reserve, and having done that for the purpose of discharging its bonded indebtedness.

I predict that in a very few years, under this system, your national greenbacks now outstanding to the amount of \$348,000,000, with only \$150,000,000 of gold reserve, will have behind them gold dollar for dollar, and there will be not one semblance of fiatism in our national currency. (Applause.)

We have established as a part of the system what is known as a Federal Advisory Board, to consist of one member from each of the regional reserve banks, to be selected by the boards of directors of the regional reserve banks, to sit in Washington, if they please, and confer with, admonish, advise, threaten (as some people say), if you please, the Federal Reserve Board. This advisory board is to represent peculiarly the banking interest of the country and to give advice to the Federal Reserve Board.

We have so altered the law that hereafter national banks with one million of dollars of capital may establish branches abroad, in order that they may more readily respond to our growing foreign trade, foster and extend it. (Applause.) It appeared from the testimony adduced at Washington that London and Berlin and Paris collected every year hundreds of thousands, yes, millions of dollars, in exchange and collection charges on American goods that ought to have been collected by American banks established abroad. (Applause.) It appeared from the testimony that American business was harassed, hampered and circumscribed, because the business of the foreigner had ready access to the markets of South America, because it had readier banking facilities. And under this Federal Reserve Act we expect to establish in all of the South American republics, in fact, in all of the nations abroad, American banks to transact business for American tradespeople. (Applause.)

I did not happen to bring with me a copy of the Federal Reserve Act. But I think I have covered briefly what the system provides. Now I can better impress it upon your minds, I think, by making some reference to the objections that were made, the difficulties encountered in the enactment of this legislation.

Let me say to you, it was a legislative miracle. Everybody predicted to enact such legislation was impossible because it never had been done, although tried time and time again. Immediately after the panic of 1907 there was held at Indianapolis a monetary congress composed of business men and bankers, professional men and scientists, who drafted a currency bill and sent it to Washington. It was introduced in the House of Representatives and found its familiar place in the archives of the Banking and Currency Committee and there it is today. A little later we had what was known as the Walker Currency Bill, introduced by a distinguished representative in Congress from the state of Massachusetts. It met a similar fate. A little later we had what was an advance in attempts at currency legislation, the Fowler bill, and Congress came near doing something with the Fowler bill; the debate upon it continued till a national election was near and politicians at Washington think they

know what to do under circumstances of that sort. (Laughter.) The Speaker of the House of Representatives, Cannon, of Illinois, thought he knew what to do under circumstances of that sort; he quietly put the Fowler bill to rest.

He did not intend to go to the American people and undertake to explain the "damn" intricacies of an unheard-of currency bill. (Laughter.) But the Republican party's platform had promised that something should be done, and, therefore, a pretense was made of doing something. I do not mean to say that all the pretense is on the Republican side of the house. There is a good deal of it on the Democratic side, too. (Laughter.) But at all events, in lieu of the Fowler bill, which would give some relief, there was enacted what is known as the Vreeland-Aldrich measure, which could not have given any relief. Those of us who had made any sort of study of the subject predicted, in our brief speeches on the floor of the House of Representatives, that never would there be one dollar of currency issued under the Vreeland-Aldrich law, because anybody who had given consideration to the matter should have had sense enough to know that it was too expensive, that no bank on the American continent would have ever dreamed of appealing for one dollar of that currency, unless it was then prepared to fly the flag of distress at the masthead. If any of you will come down sightseeing, I will take you to the usher of the treasury building who will point out to you a lot of junk, five hundred millions of dollars of asset currency, issued under the Vreeland-Aldrich Act, not one single dollar of which has ever gotten from behind the grated bars.

But in conjunction with that act, Congress did a useful thing, in the appointment of a Monetary Commission, which went abroad and assembled a library, the greatest library on banking currency, I venture to say, that was ever assembled since the world was created. I have seen the volumes but I have not examined many of them. (Laughter.) And I doubt if many of the members of the Banking and Currency Committee, in the construction of this federal reserve act, had occasion to resort to them, though it is the greatest library on the subject that was ever assembled.

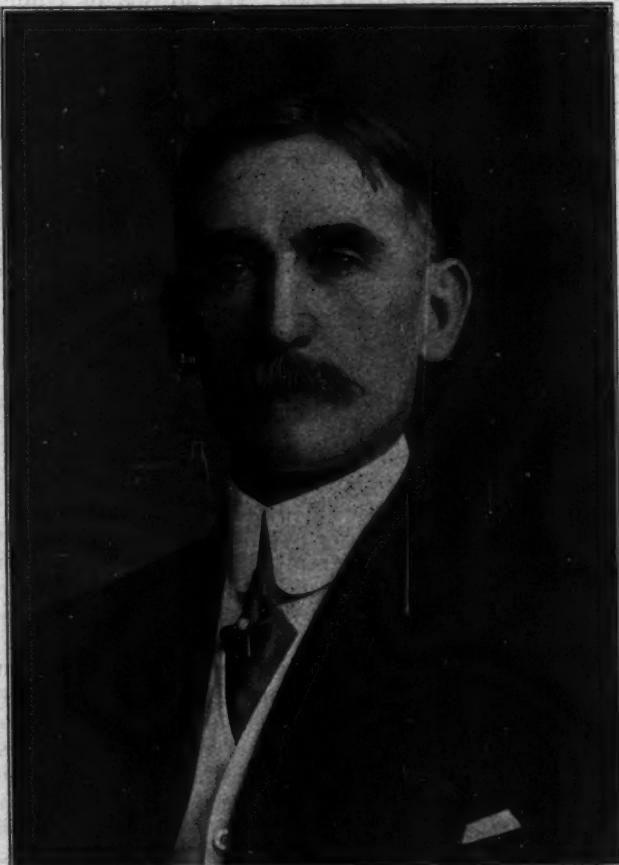
Now, as to the objections that were presented and the difficulties encountered in the enacting of the legislation which was finally secured. In the first place, it was contended that the boards of directors and managers of the regional reserve banks should be entirely selected by the banks; that the banks subscribed to the stock, that the individual banks owned the regional reserve banks, and that they consequently should select the board of directors, and have them represent their peculiar interests altogether. It was especially contended that the Federal Reserve Board, at Washington had no right to appoint three directors of the bank. The response to that was that under the law these regional reserve banks are made fiscal agents of the United States Government, and the secretary of the treasury is required to deposit the current funds of the United States in these regional reserve banks, there to be held for the accommodation of the business interests of the country; that we are no longer to pursue the foolish and unbusiness like system of accumulating federal funds in the treasury at Washington, and in the sub-treasuries throughout the United States, thereby withdrawing funds to the extent of millions of dollars from active business transactions and keeping them in those treasuries and sub-treasuries; that these funds are to be deposited with these regional reserve banks, which were fiscal agents of the United States

Government, and the government is to transact its business by checks on these banks just as business concerns transact their business of checking on banks. (Applause.) The whole answer was, that the people of the United States, through their government, would deposit in these banks from \$250,000,000 to \$325,000,000 a year, thereby making the people of the United States the largest depositors in these banks, and that, therefore, the people of the United States were entitled to representation upon the boards of directors of these banks. (Applause.)

It was then contended that we could not give these banks the right to engage in open market transactions. We do that to a limited extent and under the severest restrictions, because that power with the regional reserve bank is analogous to the power frequently exercised by the Bank of England. When the individual banks decline to observe the rate of discount, the Bank of England goes out into the open market and engages in transactions which so affect the market as to compel individual banks to observe the rate of discount. We wanted the regional reserve bank to have power, when the individual bank is disposed to squeeze the business man and not observe the rate of interest that generally prevails, to go out in the market and so affect it with its transactions that the individual bank will be obliged to give business men accommodation at the current rate of discount. (Applause.)

It was then said that the banks should select the Federal Reserve Board. That was what was provided in the Aldrich scheme. Pretty soon this radical position was modified, and it was contended by the big banks of the country that the banks should select a majority of the board. Subsequently that position was modified, and the final contention was that the banks should select the minority membership, three of the seven, of the Federal Reserve Board. That seemed a pretty plausible plea, that the banks of the country were stockholders of this system; that they were to provide a major portion of the funds that would operate the system, and that they should have minority representation on this Federal Reserve Board. It appeals to me. It fooled me good. (Laughter.) I recall that on the night of the day that the President of the United States said to me that he would not stand for banking representation on the Federal Board, I did not sleep a wink. I was distressed in mind, and before I shed my pajamas on the following morning, I sat down at my table in the Raleigh Hotel, and wrote the President of the United States, I venture to say, the most vigorous protest he ever got upon any subject in all the days of his life. I protested to him that in my view his attitude was fundamentally unjust and politically inexpedient. And I thought so. I hope he has torn that note up. (Laughter.) About three days thereafter there came to Washington a committee of the greatest bankers in the world. We were to go up to the White House and convince the President that he was totally wrong and impractical in his denial of representation on the Federal Reserve Board to banks. I headed the procession (laughter), perfectly confident that we were going to win our case and put the President to confusion. But he heard those great bankers, heard them courteously and deferentially and amiably. And after they had finished, he quietly turned to us, and with those jaws firmly set, said: "Gentlemen, I challenge any one of you to name a government institution in this country or a government commission in any civilized country of the earth upon which private interests have representation." (Applause.) There was a deep silence. These great bankers were dumb. They did not undertake to answer him, and I could not answer him, and

from that day I was converted, and like Saul of Tarsus I have been going out ever since preaching the genuine doctrine of a government board of supervision, rather than a banking board to supervise the banks. (Applause.) How could I have been so foolish as to have ever thought anything else. (Laughter.) You might as well say that the Interstate Commerce Commission, devised by the government to supervise the operations of the great railroads of this country, should have on its membership railroad presidents and railroad general managers, as to say that the Federal Reserve Board to supervise the banking business should be



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selected in any measure by the banks themselves. I made that proposition on the floor of Congress. The men who had most to do with writing the Interstate Commerce Commission law said to me: "Does the gentleman from Virginia pretend that the Interstate Commerce Commission has the same power over the railroads as this Federal Reserve Board will have over the banks?" I said, "Yes, I contend that it has infinitely more power over the railroads than the Federal Reserve Board will have

over the banks." "Why," they said, "you provide in your law that one regional reserve bank shall be compelled to rediscount for another regional reserve bank in time of emergency?" I replied, "Yes, we do, and that is the strength of the system;" what we are proposing to do is to decentralize the banking and currency system of this country in normal times but to consolidate and centralize it in times of stress, so that all the system may come to the help of the weakest part of the system, in other words give mobilization of reserves, the thing we have talked about for twenty-five years, mobilization of the reserves. Having the entire strength of the whole system at the command of this federal reserve board, in time of distress the whole system may help any part of it.

When I spoke in New York City last November, I said this power had been in the possession of one federal official for the last fifty years; that the secretary of the treasury of the United States may tomorrow take every dollar of federal deposits out of the banks of New York City and transfer them to the banks of San Francisco. There is nobody to question his right. He may take every dollar out of the banks of Boston tomorrow, and transfer them to New Orleans, and there is nobody to question his right. "Ah," I said, "more than that, in 1907, the secretary of the treasury, upon his sole discretion, took forty-three millions of dollars of the peoples' money out of the vaults of the treasury in Washington and put every dollar of them right down in Wall street, and there was not a murmur from anyone. Now, what the secretary of the treasury has been doing for fifty years under the national bank act, we propose that a board of seven men, of which the secretary of the treasury is only one, shall do under this Federal Reserve Act." Then they said, "You give the Federal Reserve Board the right to suspend all of the reserve requirements of the act for thirty days." "Yes, we do," I replied, "and that is a power that has belonged to the comptroller of the currency for fifty years." Some of the big bankers did not know it. There is not a national bank in Rochester today that cannot tomorrow go below its reserve fifty per cent, or seventy-five per cent, or ninety-five per cent. And there is no power on earth that can compel it to restore this reserve except within thirty days, upon notice of the comptroller of the currency. And yet this is the power that we propose now to invest, not in one man, but in seven men, one of whom is the comptroller of the currency. They had not objected in fifty years to the comptroller of the currency alone, in his discretion, having that power; but when objecting to this bill they were objecting to seven men, of whom the comptroller of the currency is one, exercising the power. And there is not a single, solitary power with which we have vested the Federal Reserve Board that has not for fifty years been exercised by one, or two at most, of the federal officials.

Under the Vreeland-Aldrich Act, what did we witness? Five hundred millions of dollars of emergency currency authorized to be issued. Upon what? Upon the discretion of a board of directors of a national reserve bank, supplemented by the discretion of a federal reserve board of seven presidential appointees? No, but to be issued upon the sole and solitary discretion of the secretary of the treasury of the United States. Not only that, but the security under that law provided for the issuance of that five hundred millions of dollars of emergency currency was to be examined and passed upon in the sole discretion of the secretary of the treasury. And yet the men who gulped that thing down whole, without a grimace, were there objecting to this bill of ours, which requires

that the security for the issuance of currency shall be passed upon by banking men throughout the country, and only in the last analysis by a board appointed by the President of the United States.

Then they said that the paper provided under this act was not in existence, paper of ninety days' maturity. Even bankers did not seem to comprehend that the maturity of the paper had nothing to do with its execution. The note might have been for six months or twelve months or fifteen years; some day it would reach a point when it had only ninety days to run (laughter), and that objection was being sent out insidiously to the country banks all over the country by the big banks in the central reserve cities; and yet those same big banks, the last one of them, and the little ones, too, had gulped down the Aldrich bill; yet the time of maturity in the Aldrich bill was twenty-eight days instead of ninety. There was, it would seem, plenty of the former paper, but there was no ninety-day paper. As a matter of fact, when a western banker was testifying before the Senate Committee of Banking and Currency that the western banks did not do business on ninety-day paper and that they had none of that paper in their portfolios, the comptroller of the currency that very day, it so happened, furnished me with an itemized statement that the banks of two western central reserve cities, St. Louis and Chicago alone, had \$297,000,000 of ninety-day paper in their portfolios. (Laughter and applause.)

Then they said that this money was fiat money, that these notes were fiat notes. When I spoke in New York to seven hundred bankers and business men, I challenged them to point to a single lexicographer in any language from Sanskrit up to our own American language, to whom they might appeal to justify any such characterization of these notes. I asserted that they did not have a writer on a newspaper of New York who would risk his reputation by justifying this definition of these notes. Fiat! What is fiat money? Fiat money is paper money that depends for its value solely upon the taxing power and the good faith of the government that issues it. That is fiat money. Now, what have we behind these notes? In the first place there is provided a gold reserve of 40 per cent; there is a secondary reserve provided of 100 per cent of sound, gilt-edged, ninety-day business paper; security of \$1.40 for every dollar of these notes that is issued. In addition to that they are made the first and paramount lien upon all the assets of the regional reserve banks; and superadded to that, they are endorsed by a nation of 95,000,000 of free people, whose faith and honor are plighted to the liquidation of these notes. (Applause.) Fiat money? Why, there is not the shadow or semblance of fiatism about it. In fact one of the greatest international bankers of the country came to Washington begging us to reduce the security behind these notes, because, as he said, it was too exacting. (Laughter and applause.) He was right, the big bankers were wrong and they knew they were wrong, because without the dotting of an "i" or the crossing of a "t" in the note section of this bill, they had brought their great banks into the system, and urged their fellow-bankers to come into a system of fiat money. (Laughter and applause.) It is not that. As I have frequently said, I have nothing against the banks. All those in my town have got something against me. (Laughter.) I particularly have not anything against the great banks. But I tell you it goes hard with them to have to surrender all the reserve funds of this country upon which they have fattened and fattened for fifty years under the national bank act, sending it back where it originated, where it

belongs, where it should stay, ready to respond to the business requirements of the country.

They said that the bill involved a tremendous amount of inflation. Inflation? Curious things happen. In contrast with the intelligent, just and fair attitude of the representation of your organization who came to Washington in this matter, was the continued carping and inconsistent criticism of the great banks of this country. Inflation? Why, on the day that one great Chicago banker, before the Senate committee, was earnestly testifying that the bill tremendously circumscribed and curtailed the commercial credits of the country, one of his associate bankers in Chicago was just as earnestly telling a company of bankers in his home city that the measure, if passed, would tremendously inflate the commercial credits of the country. But how could it do both at the same time? As a matter of fact it would do neither. It will expand the currency when business activities demand that the currency shall be expanded and will contract it when business is lax and you have no need for it. And that is what any scientific currency law ought to do. If this does not happen the law will not meet the currency requirements of its framers. (Applause.) There is no element of inflation in it. If there is any one thing that I do not believe in, it is inflation, and every effort and every precaution was exercised to guard the measure against being an inflation measure. The same business sense and bank instinct of the individual bank is demanded now as before; the board of directors and manager of your bank must first, under this bill, as now, pass upon your request for credit. Having done that to the extent of showing enough confidence in you to endorse your paper for rediscount, your paper is sent up to the directors of the regional reserve bank, and there again is exercised sane and presumptively conservative and sensible scrutiny, inspection and consideration; and if the directors of the regional reserve bank think it is a worthy discount, they will authorize discount to be made; then your paper goes up, in the last analysis, to the scrutiny of the agent of the federal reserve board, and again to the federal reserve board itself, before one dollar of currency may be issued on it.

Where is the inflation? That charge was made in the senate of the United States, that august body, and I confess that I took a delicious delight in the denouement at Washington. The house committee, they said, was incorrigible, intractable, we must look to the conservative senate to fix this thing right; and bless your heart, in the dead of night they were down there crowding into my room at the hotel, begging me for God's sake to save them from the radicalism of the conservative senate. (Applause and laughter.) But the senate said, even the great senator from the Empire State said it was full of inflation. And what did they do to prevent inflation? They provided that these federal reserve notes should be held as a reserve, a credit and a guarantee, a credit by the individual banks of the country. Your Association vigorously protested against any such folly as that, and when we got into conference on the votes of the disagreeing houses, that is the sort of flatism that the house conferees had to eliminate from the bill, put there by the conservative, august senate. (Laughter.)

There is one other provision of the bill of great importance, in my estimation the most important of the bill, after we have provided for an elastic currency and after we have corrected the fictitious nature of the reserve system, and that is that provision of the bill which pro-

vides that exchanges shall be free, that collections shall be at actual cost. That means the saving of millions and hundreds of millions of dollars in constructive interests, that never should have been charged to the business men of this country. (Applause.) Oh, they know it. I mean, the bankers do. Because they fought it at every step. I had to fight for it in every committee, and won by an eyelash; had to fight for it in the Democratic caucus; had to fight for it on the floor of the house, and won in all three places. But when it got over to the conservative senate, they threw it out. And when it got back into the conference, we put it back, and there it is today. (Applause.) Why should they charge you constructive interest? Why should they charge you for the fictitious transfer of funds from one part of the country to another part of the country, when the only transfer that is made is like the point of a pin on a ledger? Why should not exchange on an original reserve bank of Minneapolis or of Dallas or of Atlanta or of San Francisco be at par with exchange in New York City or Chicago or anywhere else? And under this system you can have your collections made at actual cost, and you shall have your exchange free. Draw your check on your individual bank, member bank, let it give you a check on your regional reserve bank, and your check is good on any foot of American soil, or anywhere in the world. (Applause.)

I have been introduced to audiences throughout the United States as an expert and as a statesman, and have not hesitated to appropriate all of the praise that kind friends have been willing to give me. I did feel a little foolish down at my own home in Virginia, where they gave me a public reception after the enactment of this law and its approval by the United States. Standing upon a platform there, looking out over the audience, and seeing boys with whom I used to fight chickens and rob apple orchards and things of that sort (laughter); and then hear myself introduced as a distinguished citizen and statesman of national reputation and things like that. (Laughter.) When I get away from home I do not mind having it said. (Great laughter.) Even at that, I do not find myself able to be proud very long, because I know better. (Laughter.) Aside from that I carry around with me the badge of my humility. I made a campaign for the senate in Virginia two years ago and did not expect to come within a thousand miles of being elected; I was not disappointed. (Laughter.) But somehow or other I have an ineradicable aversion to political bosses and a distaste for political corruption and I made a campaign against the system. The system is tottering, although I did not get to the senate. (Applause.) Pretty soon after that, my young boy, named after me, came back from some interstate track-meet, with his breast all covered with gold medals. He handed one to me and said, "This is the 220-yard medal, father; you had better use that for a watch charm, and let the people see that some members of the family can run." (Great laughter and applause.) Well, I never had been beaten before, and have not been beaten since; and really, when I seriously contemplate the subject, I do not think I was beaten then. (Laughter.) But at all events, whatever may be the situation in that respect, I say that I cannot for a very long time feel particularly proud and cocky when I go around. (Laughter.)

What I wanted to say is this: That while the public press of America, and while friends in all parts of the country have been very generous to me, I want to say to you seriously this afternoon, and in the light of the history of the entire transaction, that the American people

are indebted chiefly to one man for this legislative miracle, and that man is President Woodrow Wilson, as you know. (Great applause.) I do not say that in the spirit of partisanship. I want to assure you that among those who helped in the consideration and the construction of this great legislative measure were some of the ablest Republicans in the Congress of the United States. (Applause.) And I do not make that statement as a partisan, I make it because I had observation of the men during that whole struggle for the emancipation of American banking and business from the chains of servitude and from the threat of panic and disaster.

In all of my life I have never seen manifested such patience as was exercised on that occasion by Woodrow Wilson. The proverbial Andrew Jackson never exercised on any occasion such indomitable will-power and courage as Woodrow Wilson exercised in giving us this currency legislation. (Great applause.) So purposeful was the man, so passionate was he for the service of his countrymen, that he listened to no advice, heeded no threat, but pursued the even tenor of his way. Time after time delegations of congressmen would go to the White House, as they are doing today, to impress upon him that they wanted to get home; that they were worked to death. I have been there fourteen years. If I had not had a large part in the construction of this currency legislation, I would not feel that I had earned my salary a single year that I have been there. (Laughter.) But I do feel that I earned it for the whole fourteen years last year. (Laughter and applause.) But they implored him to quit; they insisted that it was impossible; but he pursued the even tenor of his way, and now you have currency legislation and are indebted to him. You have currency legislation, under which you will never again hear of a panic in America; under which the business men of America may pursue prosperity and not be afraid; under which the bankers of America may retire to their couches at night and not be disturbed over what is going to happen on the morrow; legislation that makes panic impossible, that smiles upon prosperity and that will send this great nation of ours forward within the next decade upon an unexampled exhibit of her commercial and industrial prowess to the world. (Prolonged applause.)

C. D. Joyce, Philadelphia—I move you, Mr. President, that the National Association of Credit Men express its thanks to the Hon. Carter Glass, and its appreciation of his clear, earnest and eloquent exposition of the federal reserve act, by a rising vote of thanks. Motion seconded by Charles Biggs, of New York, H. E. Choate, of Atlanta, and other delegates.

Carried unanimously amid great applause.

President Salisbury—It gives me great pleasure to announce, Mr. Glass, that the vote is unanimous. Just here may I have a word, Mr. Secretary? You understand, Mr. Glass, that while I am president of the Association, the gentleman on your right (Mr. Tregoe) is the real voice of the Association. I wish to express my regret that I realized immediately that I had no fitting words to properly introduce Mr. Glass. I knew that you all knew him even better than I did, and that he had so much to say of so much interest that, like our former president, Mr. Fessenden, I had no time to go into the amenities of the occasion, but allowed him to proceed with his interesting and most instructive lecture at once. Mr. Glass, we are all under very great obligation to you. (Applause.)

S. F. Henry, Des Moines—I contend that we go even further than a rising vote. It has been said that Mr. Glass is a statesman; I claim that he is a hero. He has won for the business men of the country emancipation. I move that we give three cheers for Mr. Glass.

E. F. Sheffey, Lynchburg—As a citizen from the town from which Mr. Glass comes, which little town of thirty thousand inhabitants not only gave Carter Glass to the country but also Senator Owen, the chairman of the Currency Committee of the Senate, I take pleasure in seconding the motion. Let us rise and give three cheers for Congressman Glass.

(Three rousing cheers were given for Congressman Glass.)

Mr. Glass—I just want to remark that I rather congratulate myself that I am more of a politician than a statesman. I knew what engagements to cancel and which ones to keep. (Laughter and applause.)

Secretary Tregoe—We are running a little behind our schedule, but I really think we ought to dispose of the one report on adjustment bureaus. If we do this we shall have cleared up our slate for today and come to the 9.30 session tomorrow ready to take up our schedule with no deferred business. If you will grant that to the President, speaking in his behalf, we will appreciate it. I wish every one would remain.

President Salisbury—We shall now take up this business as quickly as possible, which is the report of the Adjustment Bureau Committee, W. B. Cross, chairman, Duluth, Minn.

Report of the Adjustment Bureau Committee

To the Officers and Members of the National Association of Credit Men.
GENTLEMEN:—

The "Adjustment Bureau" is simply an outgrowth of the primary principle of the National Association of Credit Men, that there must be economy and accuracy in the granting and redemption of credit. Adjusting individual delinquent accounts is old and common enough, but the turning over of a debtor's affairs into the hands of his creditors for such disposition and administration as the condition of his estate seems in the judgment of creditors to be called for, is novel and is the peculiar character of adjusting work that our bureaus are fundamentally intended to perform.

The friendly adjustment of involved and insolvent estates calls for the exercise of such practically balanced principles and such highly efficient management that our bureaus have not as yet approximated the possible, and their work naturally has been the occasion for some reasonable complaint. There has been evident, however, especially in the year just closed, a distinct tendency to more efficient operating plans and to the highest ideals in the performance of this important class of credit work.

Not only in friendly adjustments are the bureaus qualified to serve but in bankrupt cases by an economic and expeditious administration of bankrupt estates, for their work is impersonal, having nothing in view but the realization of best results in converting the bankrupt estate into a fund for distribution ratably among creditors.

A weak feature in the operation of adjustment bureaus has been a financial inability of the local operating associations of credit men to secure and compensate properly a qualified manager, for notwithstanding the exercise of close supervision upon the bureau's affairs by a committee or by a board of directors, the efficiency and value of the bureau very

largely depends upon the personal equation, as relates to the management of its operations and affairs. The importance of the personal equation appears to be growing in the recognition of local associations. There is an apparent tendency so to finance and operate the bureaus, that high quality of management is assured.

The annual conference of Adjustment Bureau managers is growing in importance as an influence for efficient management and in developing a proper and cordial spirit of co-operation between the bureaus. The



W. B. CROSS
F. A. Patrick Co., Duluth, Minn.
Chairman, Adjustment Bureau Committee

conference held in Chicago on January 13, 1914, was especially distinguished by the character of the subjects treated, the strong desire for improvement discernible in the representatives in attendance and the principles adopted for the governance of the practical operations of the bureaus. It is not necessary to repeat these principles in this report as they were published in the National Bulletin immediately after the con-

ference. They relate to those practical features of the Adjustment Bureau work which more directly affect bureau management.

We wish to dwell specifically in this report upon certain principles that must control and guide the operations of Adjustment Bureaus from the angles of standard and results. No department of the National Association of Credit Men should be under suspicion of having failed to rise to its ideals. No department of the Association work is in such constant danger of failing to redeem the National Association standard as are the Adjustment Bureaus; and therefore it should be the peculiar burden of each local association in cordial co-operation with the National Committee on Adjustment Bureaus, the Special Committee on Adjustment Bureaus and the National office, to maintain a continued effort toward improvement, and the preservation of our best ideals in the control and operation of Adjustment Bureaus.

From the angle of the bureaus conducting their affairs on high standards and for best results we would tender the following principles:

(a) The organization in each commercial center of an Adjustment Bureau under the exclusive control of an association of credit men.

(b) Where the mercantile interests of a city are not sufficiently extensive to make possible the organization and operation of an Adjustment Bureau under efficient management, that two or more associations in cities located conveniently to one another geographically and in trade interests, join in the organization and mutual control of such a bureau.

(c) That efficient and honest management always be assured through the development of loyal support of association members and the charging of fees commensurate with good service.

(d) That the bureaus be operated with no idea of profit making but that charges be made on a basis that will sustain them and make possible efficient service, the purpose being to give members the best of service at its exact cost.

(e) That each Adjustment Bureau be supervised closely by the local operating association which shall receive from the manager reports at short intervals upon the work of the bureau and its financial results. This close scrutiny never should be lifted no matter what the local confidence may be in the management.

(f) That friendly adjustments or compositions shall not be put through unless every creditor in each case assents, under no circumstance one creditor being preferred above another in the adjustment and distribution of estates.

(g) That solicitations for assents to friendly adjustments or the business taking charge of a bankrupt estate should be made by a committee of creditors or the committee in control of the bureau, together with the manager; such procedure putting the bureaus above suspicion as "ambulance chasers" in bankruptcy cases and also dignifying their work.

(h) That assenting creditors in friendly adjustments and in bankruptcy cases be given explicit information at reasonable intervals upon the condition of the estate under adjustment or in bankruptcy, so that each important step in the administration may be known and appreciated by all the creditors.

(i) That Adjustment Bureaus cultivate close and cordial co-operation one with another and there be a perfect freedom from competition between them.

From the angle of the members we further suggest the following principles:

(a) That members of the Association use the Adjustment Bureaus whenever their service is possible in adjustment and bankruptcy cases.

(b) That solicitations from Adjustment Bureaus for the co-operation of members in their performance of adjustment or bankruptcy work be accorded prompt attention, and granted every consideration.

(c) That if members have already forwarded their claims to attorneys or through local collection agencies, these attorneys or collection agencies be requested to co-operate with the Adjustment Bureau.

(d) That any unfavorable experience of a member or creditor with an Adjustment Bureau be presented with facts to the National Secretary-Treasurer, who in turn will have it thoroughly considered by one of the committees on Adjustment Bureaus. This is a direct responsibility of each member, and if met will assist future committees in their efforts to improve the methods of Adjustment Bureaus and bring them closer to a high standard of efficiency.

Your committee in tendering this report, feels sincerely that co-operation between members and the Adjustment Bureaus has not been free and liberal as it should, and that the members of the Association have not accepted with sufficient seriousness the responsibility of developing this department along high standards and ideas.

The committee deeply hopes that the entire membership may be aroused to a proper appreciation of the Adjustment Bureau work, and give to the efforts of another year that attention and co-operation which will undoubtedly serve to stimulate the laudable ambition of many of the managers to reach proper standards of operation and management.

The committee offers the following resolutions:

I

"Resolved, That the National Association of Credit Men in convention assembled, continues to realize the economy and value of Adjustment Bureaus in efficiently administering insolvent estates without the mediation or expense of court procedure.

II

"Resolved, That every means be taken to develop friendly adjustments and to this end debtors in financial difficulties be encouraged to turn their affairs over to their creditors, and creditors be urged to accept this responsibility in full appreciation of its real value to the credit system and its importance in developing a close and frank relationship between debtor and creditor.

III

"Resolved, That the National Association of Credit Men in convention assembled recognizes the value of conferences of Adjustment Bureau managers and advises that such conferences be held at least once each year.

IV

"Resolved, That each local association operating and controlling an Adjustment Bureau be urged to regard it as an important department and give it constant and businesslike supervision.

V

"Resolved, That managers of Adjustment Bureaus be urged to recognize how largely efficiency and honest practices may elevate the standing of such bureaus in the commercial commonwealth, and that every effort be made by them to keep this department above reproach and so to administer the work that it will appeal to the good sense and practical views of credit men."

Respectfully submitted,

F. T. FISCHER,
W. H. YOEMANS,
ARTHUR E. GOODWIN,
K. T. GREEN,
J. G. KISSINGER,
F. B. MCCOMAS,
VICTOR ROBERTSON,
JOHN SEHLER,
W. E. DUFRESNE,
W. B. CROSS, *Chairman.*

President Salisbury—The open parliament on this report will be led by J. P. Galbraith, of St. Paul, Minn., and H. H. Humphrey, of Boston. First we shall hear Mr. Galbraith. (Applause.)

Mr. Galbraith—It is a serious task to present arguments in favor of bureau service which has been in existence but a brief time, comparatively speaking.

Scientists and historians tell us that the human race has been in existence for six thousand years. For approximately 5,730 years no such thing as a credit department, a credit department manager or a credit man was known. The National Association of Credit Men was organized only about nineteen years ago. Bureaus thereunder were organized about ten years ago. With the development of the National Association of Credit Men has come the development of credit departments. The credit departments of our jobbers are now practically complete, but they are not perfect, and probably never will be.

The adjustment bureaus organized under the Association ten years ago were groping in the dark. They did not know as much as they do now. Any man who is engaged in a special work if he has ordinary intelligence cannot but become somewhat expert in that work. A man who is engaged in the liquidation of estates every day cannot but become more expert than one who is occasionally called upon to liquidate an estate. It is utterly impossible for a man in the ordinary walks of life to learn all of the intricacies and difficulties, all the ways of avoiding difficulties, which are called to the attention of one who is every day engaged in liquidation work.

I believe that a comparison of the results obtained by the bureaus throughout the United States will be in favor of the bureau as against the liquidation of estates by private individuals. As you know, there was

a time when private individuals liquidated all estates. We cannot get statistics on those liquidations, excepting those of today. But I venture to say that the bureaus today are paying as high dividends at least as were paid in the olden days when the estates were liquidated often by individuals under friendly adjustments. But how about twenty-five years ago, you credit men who have been in the West that many years? Were estates liquidated by friendly adjustments then? No. Each one was trying to get all he could out of the estate. He did not care for the other man, and the expense he went to in each and every instance to gain a preference was waste, nothing else. It did you no good, and did no one any good except the officers. Assets were largely wasted, that is, you did not get as much for the creditors as the bureaus are getting today. I venture to say that with the assets, the liabilities and the expense taken into consideration, the bureaus today are obtaining better results than were ever obtained in the history of credit work.

The success of any bureau depends on its members, depends on the creditors interested. Today credit men have come to realize that assets of an insolvent debtor belong to the creditors and not to the debtor, and when one creditor levies on those assets he is levying not on the assets of the debtor but on the assets of the creditors.

The ethics of business have become so high that there are very few credit men today who are endeavoring to obtain a preference in that way. In our territory we have very little trouble of that kind. We used to have such trouble when the bureau was first organized, and up to a few years ago, but at the present time there are very few who endeavor to obtain a preference. They realize that where they get a preference today, their neighbor will get a preference next week and the expense they go to in getting the preference is a waste and a loss.

Unfortunately we have not with us a report similar to the one that was issued last year, showing the estates handled by bureaus throughout the United States. But we did have a report last year, and if any of you remember it, you will remember that the results obtained were very satisfactory. During this year we have not been able to get up that report. We hope to have one next year.

During the year ending June 1, 1914, our bureau handled one hundred and twenty-seven estates; that is, we closed that number of estates; the average dividend paid in trusteeships was 40 per cent—a little more; in bankruptcies 25.65 per cent; in compromise settlements 62 per cent; in fire losses 54 per cent. We represented claims in thirty-one estates handled by outsiders, by private individuals, and the average dividend paid in those estates was 15.02 per cent. Does that mean anything to you? Does it mean that we are getting better results than those who handled those thirty-one estates? It ought to. We pay 10 per cent more in bankruptcy than those thirty-one paid under all conditions, trusteeships, bankruptcy, fire loss, compositions, and every other kind of liquidation.

As I said before the success of any adjustment bureau depends entirely on you. It is your bureau. You organized it for yourself. It is a part of your credit department, just as much as the assistant credit man or the credit man himself. It is a part of your business to make that portion of your business successful just as much as it is to avoid passing orders against parties who are not good financially.

Let it be generally understood from now on that where you have a good bureau you turn your claims over to the bureau for liquidation.

While an estate is in liquidation, it is just as reasonable that you turn your claims over to a stranger as it would be to turn over to him the passing of orders that come to your desk—just exactly. Both phases of work are your responsibility. Why should you turn this business over to some one else. He cannot do the business unless you turn it over to him. He cannot control the bankruptcy unless he has the claims. If you have already placed your business with an attorney for collection, and he has done work on it, simply instruct him to vote it with the bureau. You do not need to withdraw the claim, simply instruct him to vote with



S. J. WHITLOCK
Belding Bros. & Co., Chicago, Ill.
Director

the bureau, and thus the bureau will control, and you have some place to unload your trouble. We have lots of troubles, but we live on them. Managers of adjustment bureaus eat and sleep with adjustment bureaus and the liquidation of estates. When you get to the point where you do not know, how the money is to be gotten, turn your case over to the bureau. Let them liquidate the estates your are interested in.

Any one who says he cannot co-operate in the liquidation of estates and cannot support the bureau reminds me of the two Irishmen, one of

whom lived in this country a great many years, and the other of whom had just come over. It is an old story and a good many of you have undoubtedly heard it. The Americanized Irishman was showing the other the sights of the town, and during their perambulations they got into a long railroad cut, and about the time they got in the middle of the cut they heard a train coming. The Americanized man ran upon the bank and cried to the other to follow, but instead he started down the track, running just as fast as he could, and of course the train overtook him and threw him off to the side. His friend, thinking he was killed, went down to pick up the remains. He found him somewhat jarred but picking himself up, and said, "Why didn't you come up on the bank?" The reply he got was, "O, go to! If I couldn't beat it on the level, what would I do running up hill?" (Laughter.)

President Salisbury—We will now hear from H. H. Humphrey, of Boston. (Applause.)

Mr. Humphrey—After listening to the very instructive and interesting remarks of Mr. Galbraith, than whom there is no one better qualified to instruct us in the practical workings of the Adjustment Bureau, there seems but little that I can say that will be of interest, and having in mind the fact that the hour is late, my remarks will be very brief.

In reading the report of the Adjustment Bureau Committee, it seems to me that the first two lines in its report are inspired by the very foundation thought of our Association. If I understand the purpose and intent of this Association correctly, its fundamental principle is "Co-operative Construction," and in no way of which I am aware can this principle be better demonstrated than in the adjustment of embarrassed or failed accounts.

At no other time or occasion is it more essential for credit men to stand shoulder to shoulder, using their best and utmost endeavors to assist, educate and uplift the unfortunate but honorable debtor, having in mind at all times that it is as much the duty of the credit man to save an account as it is to guard against loss by bad debts.

Here it is that we should work in unison either in friendly adjustment, in equity, or in bankruptcy, referring all such matters to our adjustment bureaus, and proving our claims through their agencies.

And here in the Adjustment Bureau, we should with the co-operation of our Investigation and Prosecution Committee fight in complete harmony with but little or no thought of prospective dividends to rid the business world of the fraudulent practices which in the past have been so common. In the adjustment of accounts, we must see to it that we are represented by our best and ablest men, and that every feature is fair and square to all concerned and open and above board in every way. By so doing, we shall not only retain the confidence of our own members, but that which is equally important, gain the confidence of the business world.

It seems to me that what the post-mortem and the ante-mortem examination has done for the medical world our bureaus for the exchange of credit information and for the adjustment of accounts can and will do for us in our credit world, if we but avail ourselves of the opportunities and privileges that are at our hands. (Applause.)

The secretary then read the resolutions offered by the committee in its report, which on motions made for each singly and afterwards for the whole, were unanimously adopted.

Recess was then taken to 9.30 o'clock A. M. June 24, 1914.

SECOND DAY

Wednesday, June 24, 1914

MORNING SESSION

The morning session of the second day was called to order at 9.45 o'clock A. M. by the president, who called upon the Rev. J. F. Ohern, director of the Cathedral, for the invocation.

Ira D. Kingsbury—"It is the song I sing, and the smile I wear that is making the sunshine everywhere." Now it's all right to smile, fellows, but don't smile so hard for we have too much sunshine already. Give it a chance to cool off a bit. (Laughter and applause.)

I was a little excited, a little nervous. It seems that it is customary for the visiting ladies and guests to be shown the birthplace of the chairman of the Entertainment Committee. (Laughter.) I forgot to explain about that yesterday but I now wish to say that it is too long ago to look back to the day of my birth. I could not find out either where the president was born. Neither he nor I was born in Rochester. We saw it and we liked it and we stayed here. We could not find anybody else who was born here, but I found out a few months ago that Meek was born about thirty miles east of here at Canandaigua. And so I agreed to meet him at Canandaigua last spring. It cost me \$28, too. (Laughter.) But when I reached there, Meek had left word at Flannigan's that he would be back in about fifteen minutes. In the meantime I sallied out to find the birthplace myself. I walked down the street and turned what I thought was the right corner, but when I got about there, I went into an ancient drug store and asked the old gentleman if he could tell me where Meek used to live. "Sure," he says, "right back here, right this way." (Laughter.)

Now my wife has taken me to task a little, for yesterday was the first time I ever had a chance to talk in front of my wife when she could not talk back. (Laughter.) I want to give you fellows a word of advice, if you will permit. I know that she is a good fellow; if she had not been I would not have married her. (Laughter.) But when you shake hands with her, don't go so hard; it cost me two pairs of gloves for two days' handshaking. (Laughter.) I can't keep that up very long, you know. (Laughter.)

This afternoon you are all going to Exposition Park. The members of the Reception Committee will be there to greet you. The band will be stationed in the bandstand, and we will have a little concert. Keep your eye on the band and follow the band. We will adjourn from there to the grandstand, and have this soccer football game between the Scotch and the English. Then we will have luncheon. Keep your eye on the band, they will take you all around and show you where to go.

At 8 o'clock we have an outdoor performance of Pomander Walk. That is really our star attraction; it is something we want you to see. Those of you who have not coupons for it, or who have friends, or your wives, and especially the local men, do not hesitate to come without the coupons. I will be at the door, and if I don't know your faces, I will know your badges.

President Salisbury—In deference to a request from Buffalo, the address by Mr. O'Neil will be postponed for a few minutes, and we will take up the next order of business, unless there should be objection

on the part of the convention. The next order on the program is the report of Banking and Currency Committee, D. G. Endy, of Philadelphia, chairman. (Applause.)

Before reading the report Mr. Endy said: Gentlemen—I can understand why Carter Glass made the speech of his life yesterday. You have been referred to as specialists, men who know the modern power of credit, men who know how credit may be made to supplement and multiply the efficiency of capital, and it is a pleasure and a privilege to address an audience like this, and I can readily understand why Carter Glass exceeded himself in his address yesterday. If the true story of the struggle were known, the American people would realize that the public has been as well served by expunging provisions from the act as by inserting those that have gone into the act. (Applause.)

Report of the Committee on Banking and Currency

To the Officers and Members of the National Association of Credit Men.

GENTLEMEN:—

Your Committee on Banking and Currency has been privileged in your behalf and with your assistance to exert a sound and helpful influence in the enactment of our new banking and currency law. Almost immediately upon the conclusion of the Cincinnati convention there was offered in the House of Representatives by the Committee on Banking and Currency, of which Hon. Carter Glass of Virginia is chairman, the bill popularly known as the Glass-Owen bill, and legally designated as the Federal Reserve Act.

The Glass-Owen banking and currency bill provided for a division of the nation into reserve districts with a federal reserve bank in each, and the districts and banks co-ordinated under the central control of a board designated as the federal reserve board. This character of central control differed from the reserve institution proposed under the monetary bill and presented a structure and system differing from the banking and currency system of any other commercial nation.

Immediately upon presentation, this bill excited public analysis and debate; criticisms were directed upon it, leading to its modification and the eventual passage of a bill in the House of Representatives which in the public view was probably safe, yet in some features unscientific.

Your committee in conference analyzed the bill and recorded objections to certain of its provisions, yet withheld these objections from publicity. It was very evident to your committee that certain members of the House of Representatives were deficient in the appreciation of sound principles of practical banking and of currency and were exerting their best efforts for the adoption of provisions in the proposed banking and currency bill that would have fostered inflation and unsound banking and currency, and that would have proved more unfavorable to business and banking than had the existing system which, all agreed, had outgrown its usefulness.

In order to aid the sponsor of the bill in the House for the passage of a measure that would be safe, free from the risk of unnecessary and unfavorable burdens, your committee directed its efforts to prevent the adoption of unsound provisions and withheld its objections to the bill itself until it had passed the House and had been referred to the Senate committee.

The latter committee favored your committee with a hearing, and at this hearing there was offered a brief upon the bill which urged certain changes and additions that, in the judgment of your committee, would improve the act and make it more adaptable to our situation. This brief was published as "Banking and Currency Leaflet No. 3," which has had a wide distribution among the members of the Association.

Several objections made by your committee to the bill as it passed the House were conceded by the Senate Committee, though some of the changes did not go so far as your committee had desired. As eventually passed the Federal Reserve Act is, in the judgment of your committee entitled to the respect and loyal support of bankers and business men.

We desired the establishment of eight federal reserve districts instead of twelve, and we believed that upon the federal reserve board there should have been some representatives from federal reserve banks. We thought that one or more other features there might have been made concessions to the petitions of bankers and business men; but as a whole the law represents careful thought and is worthy of loyal support. Your committee urges upon the members of the National Association of Credit Men this attitude and the promotion of every effort that will tend to make the law effective and prevent a repetition of those crises which have imposed so large an expense and burden upon commerce.

After the enactment of the law, the Reserve Bank Organization Committee held meetings at several places in the country to gather information from bankers and business men relative to the proper division of the United States into the reserve districts, provided for by the law. Your Secretary-Treasurer, upon invitation, presented to his committee, sitting in New York, the views of your committee upon the natural trade divisions of the country. We urged eight districts, believing that the country is naturally divided into eight trade districts, but the "Organization Committee" divided the nation into twelve districts, the maximum under the law, and that division has not been analyzed by your committee.

There arose a contention upon the nature of commercial paper that should be admissible for re-discount under the law and, following a conference, your committee submitted to the "Organization Committee" of the federal reserve system certain conclusions and recommendations afterwards published to the members of the Association as "Banking and Currency Leaflet No. 4."

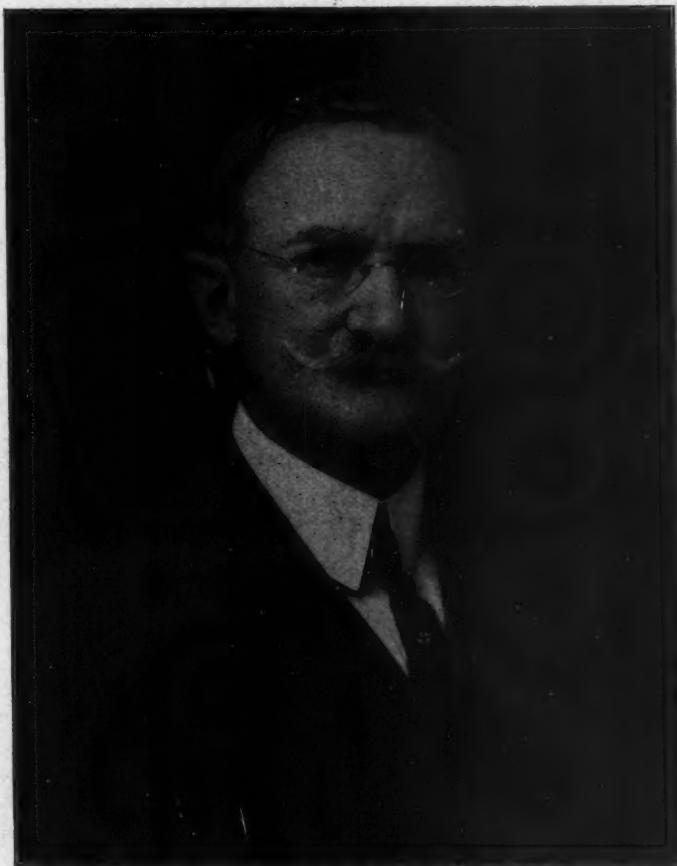
Having given in this report a brief historical presentation of a distinctive year's work, we venture to present some serious suggestions for the guidance of your future thoughts and the work of your Banking and Currency Committee.

The new law was expressly designed to prevent inflation and yet, if its powers are not wisely exercised, they may tend to promote inflation. There must be held in mind by bankers and business men that we need only money enough to pay trade balances and to carry on the daily transactions. There should be an ebb and flow in money circulation to meet the ebb and flow in trade requirements and any surplus or any deficiency will cause distress and a recurrence of those conditions which endanger commercial progress.

Money and credit are subject to governing laws, and the federal reserve act must not be considered as an avenue for unduly increasing either. It should prove an economic machine for supplying what is needed to carry on safely the daily exchanges in trade and banking, and to keep

our commercial system from the invasion of evils which, if unchecked, lead to panic, distress and waste.

Your committee believes that the re-discount powers of federal reserve banks, as detailed in Section 13 of the law, offer a very timely opportunity to develop commercial bills as a desirable feature of our credit system. Our open account system is unique in the world's history, is a rigid form of credit and leads frequently to the distress of small merchants and manufacturers and the pledging and selling of accounts receivable at disastrous rates. There is no reason why, as a part of our



D. G. ENDY
Artman-Treichler Co., Philadelphia, Pa.
Chairman, Banking and Currency Committee

credit system, there should not be cultivated commercial bills coincident with the delivery and receipt of merchandise.

There must be exercised the most intelligent perception by the members of the federal reserve board and the directorates of federal reserve banks of our trade drifts and our legitimate needs and they must apply every effort to prevent inflation or interruption to that poise and balance that must prevail between business, credit and money.

Federal reserve notes should be retired quickly; their life should be brief, and it is a mistake for the student of the system and the participant in it to believe that federal reserve notes should circulate indefinitely or be other than that for which they are primarily intended—emergency currency. The scientific adaptation of the system to our commercial banking calls for the appointment of the best qualified men upon the federal reserve board and the directorates of federal reserve banks, and there should enter no question of political preference nor any question but fitness.

We have, as an Association, the continued responsibility of observing the initial operations of the act, its adaptation to our commercial needs and our sincerest efforts must be exerted to prevent any evils through a deficient administration of the system or the failure of those directly responsible in its operation to recognize its primary and its sound intentions and apply its powers to safe and wholesome banking and currency regulations.

We urge upon the members of our Association a careful observation of the act, the expression of high patriotism in giving to its operation every reasonable support and as we have been permitted to play a prominent part in its enactment, so may we be permitted to play a helpful and prominent part in its development.

Your committee begs to tender the following resolutions:

I

"Resolved, That the National Association of Credit Men in convention assembled expresses its confidence in the adequacy of the Federal Reserve Act in giving to the nation a sound and wholesome banking and currency regulation.

II

"Resolved, That each member of the Association be urged to give to the development of the act in its practical operations, loyal support and to aid, wherever possible, those who may be appointed to supervise its operations and direct its affairs.

III

"Resolved, That the Federal Reserve Board and the directorates of Federal Reserve Banks be urged so to direct the operation of the new law that inflation shall be avoided and a repetition of those crises prevented which have been generally known as commercial and currency panics.

IV

"Resolved, That the opportunities granted under the powers of the Federal Reserve Act to develop a system of commercial bills as a substitute in large measure for the rigid form of credit or open accounts be availed of and that we exert every reasonable effort to inspire our members to the furtherance of this desirable end.

V

"Resolved, That the incoming Committee on Banking and Currency be instructed to tender its best offices to the Federal Reserve Board and

the directorates of Federal Reserve Banks in promoting the potential advantages of the Federal Reserve Act without prejudice or any desire other than the welfare of our commercial commonwealth."

Respectfully submitted,

C. D. JOYCE,
E. A. DAVIS,
O. J. SANDS,
H. H. MCKEE,
D. G. ENDY, *Chairman.*

President—The open parliament on the report and resolutions will be led by W. F. H. Koelsch, of New York. L. S. Doggett, of Cincinnati, has been unavoidably prevented from being present this morning.

Mr. Koelsch—When Mr. Tregoe first asked me to perform this little service, I had intended to talk informally, but found that the subject was one of such importance that I could not trust myself to do so. Therefore, I will ask you to listen patiently.

The policy pursued by the National Association of Credit Men through its Banking and Currency Committee, in its activities in connection with the new Federal Reserve Act, both prior to the passage of the same, and since, was in harmony with the Association's customary broad-gauged and unselfish viewpoint. It is permissible to emphasize this, because of the evident fact that some suggestions and criticisms originating from various sources during the discussion attending this important legislation were frequently based upon the effect that the legislation might have upon certain particular interests. Realizing the gravity of the situation prior to the actual passage of the law, due to the universal uncertainty and its effect upon business generally, this Association was more concerned in obtaining prompt results than it was in holding to an arbitrary position on one or more of the various phases of this important legislation.

Your Banking and Currency Committee commanded the respect of the Congressional Committee before which it appeared. It did not approach the subject in a spirit of antagonism to the sponsors of the bill, and it at all times evidenced a desire to co-operate with those upon whom rested the responsibility for the passage of the act.

As the committee represented the largest and most important commercial body in the country, it was but natural that the influence of the Association should be felt during the negotiations. This position was in striking contrast to that of some others who appeared before the Congressional Committee at about the same time. When the Reserve Bank Organization Committee invited suggestions as to the proper interpretation of commercial paper applicable for re-discount, your committee addressed a communication, the preparation of which evidenced careful consideration of this most important question from a practical viewpoint, and it was in all respects a fair and fearless declaration.

Those who have given this important question of currency legislation careful consideration, are familiar with the phraseology of Section XIII. That there should be a difference of opinion as to the character of paper intended for rediscount is not surprising. The intent of the section is, however, quite clear, and the purpose of the framers of the act is doubtless to limit the paper to be taken for rediscount by the regional banks to such paper only as had its origin in commercial

transactions, in order that the same might be self-liquidating. This is not surprising, in view of the very important fact that we must always keep in mind, namely, that it is intended to substitute for a bond secured currency, a currency based upon commercial paper, and calculated to expand and contract automatically in response to the business needs of the country.

As a matter of fact, under the new act our currency will actually become a credit currency, and, therefore, it was essential that it should be safeguarded against inflation. The plan suggested on behalf of the National Monetary Commission, and which was known as the Aldrich Act, was quite as explicit in its declaration of commercial paper, so far as the same had to be paper resulting from actual commercial transactions, as is Section XIII. It is well to keep in mind the fact that the National Monetary Commission made an exhaustive study of the bank systems of the countries of the old world, and many of the essential features of this report, which in a measure had been enacted into law, resulted from observations made in other countries. Those who have advanced the opinion, as did your committee in its communication on the subject, that there should be encouraged a gradual substitution of two-name paper or commercial bills, evidencing sale and delivery of merchandise, for the rigid and open account system, and for the single-name note, have taken a long step in the right direction.

The opposition to the change in the character of commercial paper seems to come from three directions; first, the note brokers, who are obviously actuated by selfish motives; second, a very few large dealers who desire to continue the present practice, to the disadvantage of their competitors in smaller trades; third, most, curiously, a relatively few bank people. The fact that in this minority are to be found two or three bankers prominent in their calling, does not give added force to their views, but would seem to prove that in this particular instance they are mistaken, as they were in other situations which developed during the congressional hearings on the bill. One prominent banker is quoted as stating that we pay our bills, and that we are much nearer a cash basis than any foreign country. This must sound strange to those of us who recall the stress in 1907, when certified checks and other substitutes for currency were passed over the counter. Still another prominent banker does not understand why, after years of constructive work in business instruments, we should go back to what we left, a European system entirely unfamiliar to us. He also says that we do not find European countries adopting our banking methods. In view of the fact that an entire change in our currency system was necessary to meet our own requirements, it is hardly likely that any European country would deem it wise to adopt the currency system which we have just discredited. And as to our being entirely unfamiliar with the European systems, it is quite timely to say that if we had been more familiar with banking methods as practised in countries where commercial interests are not jeopardized by money stringency, our own bankers would have a clearer conception of the workings of this radical change in our currency and banking law. (Applause.)

On the other hand, let us consider the view taken by a distinguished international banker regarding single-name paper. In a paper prepared for the National Monetary Commission, by Mr. Paul M. Warburg, whose appointment to the Federal Reserve Board was received with such general satisfaction, he made the following comment: "With us

the promissory note is generally one-name paper, while in Europe single-name paper is looked upon with distrust and is scarcely purchased at all by banks. The European banker believes in having several signatures on the bill that he buys, thus securing more than one guarantee." Mr. Warburg apparently does not entertain any fear that Europe will adopt our banking methods as will be noted from the following comment by him: "Discounts will be like our promissory notes, which always represent temporary indebtedness, which is to be paid off by the liquidation of a business transaction, for the carrying out of which the loan was incurred."

And he further says: "The old promissory note is nothing but the evidence of a commercial credit, the granting of which entails a material business risk, and must remain an individual transaction, only to be concluded by the few who happen to be well acquainted with the issuer of the note, and are willing to take the hazard of granting that particular credit."

Dr. H. Parker Willis, expert of the Committee on Banking and Currency, in a recent article on commercial paper, remarked that the community will not gain the greatest advantage from the measure if it adheres merely to established types of operation. That the well-tested banking systems of the European countries were highly regarded by those who drafted the new law would appear to be quite evident from this comment by Dr. Willis.

The new act provides for the creation of a true discount market, such as has existed for many years in every European country. This means that every merchant of established local credit may in the future count upon a free sale for his paper throughout the reserve district in which he is situated, and, to a lesser degree, generally throughout the country. The rediscount principle when fully worked out, taken in connection with the use of a central system, will enable a sound, even though small, manufacturer or trader to get the advantage of the best rates of commercial credit that prevail anywhere within his region of the country. It is not for the purpose of making credit cheaper that the Federal Reserve Act was created, but rather to provide more ample facilities to meet the banking requirements of our mercantile interests, in fair proportion to their legitimate business requirements, and such requirements can be best expressed by the use of acceptances or other negotiable instruments representing actual commercial transactions. The letter of your committee upon this subject calls attention to the small manufacturer or wholesaler whose single-name paper has no open market and whose operations are embarrassed by a large proportion of his capital being converted into the rigid form of open accounts.

We now lead up to a phase of this matter which is of great importance to credit men. How to regulate the practice of assigning of accounts receivable and preventing fraud on creditors, at the same time not hampering legitimate business, is a problem which is now receiving careful consideration by our Association. In my judgment the problem will solve itself, if the practice of creating acceptances in place of open accounts is adopted. Under such conditions the merchant of small or moderate means would not be placed in the position of being forced to hypothecate his accounts receivable in order to meet his own engagements, and to prevent financial embarrassment, which condition quite frequently arises, and occasionally results in

serious loss to general creditors, and is followed often by harshly criticised bankruptcy proceedings.

Consider, also, the question of past due trade terms, and taking of interest discounts, not to mention the paradox of the merchants who buy upon agreed terms and take their own time in meeting their engagements. It is not amiss at this time to say that there are occasions when large mercantile houses take advantage over smaller concerns from which they purchase in matters of discount. Here, again, the substitution of acceptances for open accounts would equitably solve another problem, and the small merchant would be enabled to finance his business upon a sounder basis, to the extent again of his legitimate requirements as expressed by the actual commercial paper in his possession.

Touching directly upon this subject, there was recently printed in the *Daily Trade Record* a paper prepared by Ira D. Kingsbury, of Rochester, and read at the recent convention of the National Association of Clothiers.

Mr. Kingsbury, who, as you know, is one of our directors, said: "If it were possible, and I will not admit that it cannot be done, although it may take time to accomplish it, for us to receive acceptances from our customers, running not more than four months, we would then have true commercial bills of exchange and be in a position to give bankers two-name paper that would be an exact requirement of the currency law, for our own paper would then be founded upon bona fide commercial transactions."

He further expressed the belief that while this might eliminate a certain number of accounts, yet it would at the same time eliminate a large number of failures, and in course of time would build up a class of merchants more satisfactory to do business with. "It would also eliminate," he said, "a large number of the complaints that now crop out and make possible the operating of business more economically and with greater stability than exists today."

In some quarters the impression has been created that under the new bank act, member banks will not be allowed to continue to discount single-name paper. This is not so. There is no question but that much single-name paper is good, and, as in other countries, our banks will continue to grant clean credits, or what we in this country term single-name loans; but it must be borne in mind that the paper accepted for rediscount by the federal reserve banks is to be the security upon which is to be issued federal reserve notes; hence the character of paper acceptable for that purpose should be as it is in other countries, real commercial paper, representing actual commercial transactions and self-liquidating.

The great central banks of France and Germany, and the Bank of England, ripe in experience and helpful to the commercial interests of their respective countries, have indeed shown us that there never was a time when we could with better propriety follow in the footsteps of those whose experience has been broader and more satisfactory than has been our unhappy experience in trying to keep pace with our progress while laboring under an antiquated and rigid currency system. Surely the banker who comments on the proposed change in the character of our commercial paper by stating that the tendency to approve the old and tried has become almost an hysteria, can hardly expect to create profound impressions.

It is conceded that the greatest single banking factor in the world's commerce is the Bank of England, the conservative and far-reaching operations of which are reflected in every commercial center in the world. It is interesting to bear in mind the fact that the Bank of England, while it does not commit itself definitely to buy all bills that are offered to it, does in practice discount or make loans against all bills of exchange which fall within its approved category. That category includes only bills bearing two approved British names, one of which must be the acceptor.



F. B. McCOMAS
Los Angeles Notion Co., Los Angeles, Cal.
Director

To me it appears that those who insist upon the retention of single-name paper as a basis for rediscount by the federal reserve banks do so chiefly because of the fact that they are averse to any change. That double-name notes, referred to frequently in these remarks as acceptances, can constitute a far more sound and in the long run a more convenient and economical character of paper, seems to be beyond doubt; and, as our entire banking system is about to

undergo a decidedly radical change, there could be no better time to make this change than the present.

Earnest co-operation between merchants and bankers is most essential. As credit men we are vitally interested in the success of the new Federal Reserve Act in its operation, and through our Banking and Currency Committee our Association must continue to do its full share to make the law a success in its operation. (Applause.)

All resolutions offered by the committee were then adopted singly in order presented in report, without debate, except Resolution I, the debate on which was as follows:

Secretary Tregoe—The first resolution reads as follows:

"Resolved, That the National Association of Credit Men, in convention assembled expresses its confidence in the adequacy of the Federal Reserve Act in giving to the nation a sound and wholesome banking and currency regulation."

J. T. Young, Utah association—I move the adoption of the resolution as read.

A. H. Dobson, Utica—I second the motion.

J. H. King, Hartford—I would like to offer as a substitute for that resolution, the following:

"Resolved, That the National Association of Credit Men, in convention assembled, expresses its gratification at the final passage of the Banking Reserve Act, and looks forward with confidence that ultimately it will give to the nation a sound and wholesome banking and currency regulation."

In offering this substitute I would like to say that I am in accord with the chairman, my friend, Mr. Endy.

George E. Melius, Bridgeport—I would second that amendment.

President Salisbury—The substitute resolution is before you. Are there any remarks?

E. F. Sheffey, Lynchburg—I suggest that both resolutions be read again.

President Salisbury—at the request of Mr. Sheffey, the original resolution will be read and then the substitute.

Secretary Tregoe—I will mention that our resolution expresses confidence in the adequacy of the act. Mr. King's resolution expresses confidence in that ultimately it will prove what it promises. In other words, we declare ourselves at present, through our resolution of the committee, that it is adequate; Mr. King does not think we should take that step now, declaring for the adequacy, but should express our belief that ultimately it will prove adequate. That is the difference between the two resolutions.

George E. Melius—My idea in seconding Mr. King's motion for a substitute resolution was this: I do not want to see this Association put into such position, that if at some future convention an amendment was suggested to this act, we would be confronted with the resolution offered by the committee and here passed. I would not have seconded the motion were it not clear in my mind that the substitute more clearly represents the attitude of the Committee on Banking and Currency, in its report, as read here, for in one of the paragraphs it is recited: "The new law was expressly designed to prevent inflation, and yet, if its powers are not wisely exercised, they may tend to promote inflation, etc." Suppose next year this Association in convention viewing, perhaps, the mal-administration of this act, desires to present amendments, would we not

stultify ourselves if we now adopt the first resolution as offered? I am informed that this is the view of our present Committee on Banking and Currency, and I think you will realize the justness of this expression. (Applause.)

E. F. Sheffey, Lynchburg—I do not believe that the endorsement by this convention of this bill will prevent us at some future date from making such recommendations as we may believe to be for the best interests of this country. My friend who has just taken his seat says that if this bill should not be properly administered by those who are set to administer it, we would stultify ourselves if we undertook to pass any comment on their administration. Not at all. That would be the administration of the bill and not the bill itself. I believe that we should pass the first resolution, and if those who are charged with the duty of administering the bill do not perform their duty, let us call upon the proper officials to turn them out and put in those who will. (Applause.)

President Salisbury—The question is upon the substitute resolution offered. Are there any further remarks? All in favor of the substitute resolution offered by Mr. King, will please say aye. Contrary, no.

The noes appear to have it. Unless there is a call for a division, the chair will declare that the resolution is lost. (Applause.)

The question is now upon the adoption of the original resolution. Are you ready for the question?

(Calls for the question.)

All in favor of the adoption of the original resolution will signify it by saying "aye"; contrary, "no." The ayes appear to have it. The ayes have it, and the resolution is adopted. (Applause.)

E. F. Sheffey—I move that the report as read and adopted, item by item, be adopted, and in addition thereto that a special rising vote of thanks of this convention be tendered to the Banking and Currency Committee for their wonderful work of the past year, resulting, I believe, in the enactment of a bill which will set the commercial and manufacturing and banking interests of this country free.

Anthony Gevers, Dallas—I second the motion.

Motion put and unanimously carried, amid applause.

Mr. Endy—in response to the courtesy you have extended to me. I want to say that it will be an inspiration to my successor and to your future Banking and Currency Committee to know that they have the loyal support of this great body of men, and can draw from any section of this great country of ours for aid and assistance. And I tell you frankly, that in prosecuting the work as chairman of any of your committees, that is the greatest kind of assistance. I thank you. (Applause.)

The following resolution was offered by W. D. Clark, of Syracuse:

"Resolved, That the National Association of Credit Men, in convention assembled, send greeting to the National Association of Ad Men, in convention assembled in Toronto, Ontario, Canada, with the earnest hope for the success of their efforts toward truth in advertising."

President Salisbury—The resolution offered is not germane to our business, but should be presented to the Committee on Resolutions, which will undoubtedly be pleased to recommend the forwarding of such resolution.

The secretary now tells me that the convention in Toronto will have adjourned before we reach that point.

Frank Hewlett, Salt Lake City—I move that the rules be suspended for the purpose of taking up the resolution offered.

S. F. Miller, Baltimore—I second the motion.

President Salisbury—if there are no objections, we will act under suspension of the rules. The second to the resolution came from Mr. Grandison, of Buffalo. Are there any remarks? If not, all in favor of sending the resolution to the Toronto convention will please signify by saying aye; contrary, no; resolution carried unanimously.

President Salisbury—The next order of business is an address by James L. O'Neill of Pittsburgh, on "The observance of sales terms in relation to the unearned discount evil." I take pleasure in introducing Mr. O'Neill, of Pittsburgh. (Applause.)

The Observance of Sales Terms in Relation to the Unearned Discount Evil

ADDRESS BY JAMES O'NEILL, PITTSBURGH, PA.

At the national conventions, and at the meetings of various local associations there has been so much discussion of the matter of enforcing agreements, and there have been set forth such splendid arguments in favor of compelling observance of trade terms that it would seem almost a waste of time to spend another fifteen minutes going over the old ground, so I will only touch briefly upon the obvious reasons for urging closer observance of terms and discuss rather the method of bringing about such observance.

In discussing briefly a subject which is doubtless as old as civilization let us offer the suggestion that our principal difficulties in the matter of enforcing observance of sales terms are due in no small measure to our handling the matter "wrong end first."

Since the topic was assigned us we have been discussing the subject with credit and collection men as opportunity presented. Practically all admitted the need for urging more careful observance of terms and all claimed to be working in that direction. But in every case, save one, the efforts to improve conditions are being centered directly upon the customer and in connection with existing accounts. Now if we will stop to consider it is readily apparent that while such an effort is better than none at all, it is not the best possible. Why not start at the other end of the line?

It is taken for granted that the credit man himself needs no argument to convince him as to the desirability of having terms more closely understood and observed. I will devote no time to that phase of the subject therefore. In most cases we will also find the executive heads of our business houses entirely willing to agree that it would be splendid to be able to consider an account as equivalent to cash at the expiration of that given period known as the "terms of sale," but in some instances it may be necessary to convince even our own executives that a close collection policy is best.

If those responsible for the policies of your house are not wholly in harmony with your idea that sales terms should be enforced, even though that might mean passing by certain accounts entirely, your first big job is at home—not with your customer. One of the best arguments

to present to an undecided executive in this connection was admirably summed up by a Newark, New Jersey, gentlemen, writing in the National Bulletin sometime since, in these words:

"When capital is invested in credits and not returned at the time agreed, the cost is increased and the profit reduced in measure with the time the return of capital is delayed."

It is a generally recognized fact that growing competition in most lines has resulted in a steady decrease in the margin of profit, and this fact, above other others, has been responsible for the demand for higher efficiency of machinery and men, for with the margin of profit cut down, almost to the vanishing point, it is absolutely essential that capital be more frequently turned over if net profits are to show an increase at the end of our business year. It is unnecessary to call attention to the impossibility of turning over capital which is tied up in accounts that are lagging beyond the allotted period.

Now, assuming that we have the approval of our executives and are told to go ahead with our plan of making terms mean what they say, don't let us jump right in and make the concerns then owing us feel a sudden tightening of the reins—at any rate not in connection with the account existing at that time. If we have regularly, over a period of years, been allowing a customer to take extra time, it would be manifestly unfair to bring him suddenly up with a sharp turn and demand that he now come across strictly at maturity of bills.

We are, to a certain extent, responsible for his getting into this habit and must give him a reasonable time to readjust his finances—to provide for curtailing of his business if he has been doing too much for his capital, or to secure a bank loan if it is a case where he has been practically using us as his banker.

But even before you say anything to the customer there are other points to consider. If you are in a manufacturing line the chances are that your purchasing department is from time to time securing certain machinery or supplies from some of those who regularly appear as customers of your house. This is as it should be, but this situation makes it essential that we look into conditions surrounding payments of our own bills for purchases made before we proceed to preach terms observance to others.

Is our system of accounting such as to meet the terms agreed upon by our purchasing agent? Is it made clear as to the conditions under which we purchase certain items; for instance, is it mutually understood that a machine is to be paid for only when installed and in operation? Is there a clear understanding as to our right to discount at certain times? If our own people are disregarding terms agreed upon and are taking unearned discounts we stand slight chance of correcting our customers, for we will very promptly have our attention called to the injustice. Our own hands must be clean before we attempt to reform others.

The next step, before the customer feels the full force of our decision to enforce terms of sale, is perhaps the most difficult—and is the most important. We must convince our sales organization that the position is fair and equitable—an advantage not only to our company, but for the ultimate good of our customers and trade generally.

It is pretty generally conceded that the great majority of salesmen are either natives of the state of Missouri or have later acquired the Missourian's habit of demanding to be "shown," but once a salesman is convinced that the position of his house is fair, or failing that, if we

fail at first to make him see it in that light, if he is assured that the policy is one which will surely be enforced, the really good salesman will become the strongest factor in bringing about the desired improvement. True to his instinctive desire to have matters clearly understood and agreed upon he will lay as much stress upon terms as upon price, making it evident that the price named is given on condition that payment be made in accordance with terms.

If you will pardon reference to the particular house with which the speaker is connected, will say that we have for many years been working toward closer observance of sales terms and find the sales force the best advocates possible. We take pains to have each salesman understand this policy, and our reasons for considering it an advantage to the customer as well as our company. In connection with our Bureau of Instruction, where salesmen are taught how steel is made and why certain steels are best for certain purposes, there is a lecture on "Credits" and opportunity is given for full and frank discussion.

We contend, and our customers are generally coming to realize that it is no more right for the customer to take time in excess of terms than it would be for us to disregard his requirements as to carbon, sulphur or other specification in connection with the quality of the steel furnished.

In regard to the unearned discount evil, it is possibly only fair to explain that our company allows such a small discount, namely, one-half of one per cent for cash in ten days, that there are comparatively few customers who discount, and as a result we do not have a great deal of trouble with this feature. There are some, however, who endeavor to take the discount after the period has elapsed, but we make it an absolute rule to decline to accept such remittances, and, while we cannot say that all customers relish the treatment at the time, we can say positively that we have never lost a customer through insistence upon his paying a bill within the discount period, if the discount deduction is to be allowed.

Now in discussing the unearned discount evil, let us be just and consider both sides of the question. There are many houses which, when a customer sends a check deducting the discount some days after the discount period has elapsed, make it a rule simply to apply this check on the account and insist upon the customer sending a supplementary remittance to offset the amount of discount erroneously deducted.

This is manifestly unfair, for assuming that his check was in our hands some little time before the bill had actually matured on a net basis the customer is entitled to interest for that unexpired term if we are going to hold his money. We should either return his check, stating that the discount cannot be allowed, or, if we apply his check, allowance should be made at the regular rate to represent the interest on the amount paid from the date of payment to the date of maturity.

In fighting the practice of deducting unearned discount, we must be absolutely fair and not attempt to fight one evil with another, for it is a true saying, though old and timeworn, that "Two wrongs never make a right."

It is possible to take this firm position with a customer when one is able to assure him, without equivocation, that he is receiving as favorable terms as any of his competitors on the books. If it is made clear that a careful credit policy has been established and is maintained in order that the house may avoid losses and a persistent collection policy pursued to make it possible to turn capital readily, all with the object of keeping down the cost to manufacturer, and, of course, cost to consumer, the customer will begin to see that the position may be reasonable after all.

And if, in addition to this, one is able to give assurance, as one should be, that he reserve the special term and note privilege for the unfortunate customer who without help might fail, surely he will not lose a friend when firmly but diplomatically he declines to allow a regular disregard of terms. It is a splendid thing to be able to assure a customer that, while insisting upon strict compliance with terms of sale ordinarily, this very policy is maintained in order that one's company may reach out a strong hand to help when a friend really needs assistance. In other words, he should try to make it clear that while he maintains an emergency hospital for the benefit of customers who become pinched or hurt in the course of regular business, an emergency hospital cannot be expected to care for chronic cases.

It is a well-known fact that the credit man who is reckless in the granting of credit and lax in the collection of accounts is prone to become panic stricken when conditions change adversely and an occasional customer falls by the way. He is deserted by reason and resource at the time and in the situation when those qualifications are most needed. On the other hand, the credit man whose house is in order when conditions change is not easily stampeded, and a customer need have no fear about trusting himself to such hands in bad times as in good.

Now all that has been said has been from the standpoint of individual credit men and their respective houses. It is a tremendous task to better conditions in any industry if undertaken by only one manufacturer or dealer, even though that one may be the largest in his line and equipped to give best service. It is not impossible for one such house to bring about a radical reform through its own strength and organization, but there is an easier way, and in all fairness to our competing friends in the steel business, I will say that the changed conditions in that line may be attributed largely to the spirit of co-operation between the manufacturers.

Because of mutual respect and confidence we have been able so to improve collection conditions that whereas fifteen to twenty years ago not a few customers were buying on terms of four months and settling tardily, even on that basis, today the generally accepted terms on our lines of product provide for settlement within thirty days from invoice date and payments average forty-five to fifty days all around.

What has been accomplished in the steel industry can be accomplished in other lines through the same methods—co-operation between manufacturers or dealers, as the case may be, education of the selling force along the desired lines and through the salesman, the customer.

In attempting to bring about closer observance of terms and in fighting against the unearned discount evil too much stress cannot be laid upon the matter of co-operation.

In that book of the Bible, which refers so frequently to "Time," appears this impressive statement, which applies to-day as truly as in the days of Solomon:

"If a man prevail against him that is alone, two shall withstand him; and a threefold cord is not quickly broken." (Great applause.)

President Salisbury—From now on we shall try to follow the regular order of business. We are a little late. Some of you know what a stickler I am or have been for being on time. I desire to have our business transacted without any unnecessary delay.

We will now take up the next order, which is an address on "Economy of Friendly Adjustments," by S. J. Whitlock, of Chicago. (Applause.)

"Economy of Friendly Adjustments"

ADDRESS BY S. J. WHITLOCK, CHICAGO, ILL.

Mr. President, Members of the National Association of Credit Men, Ladies and Gentlemen:

It has been said that there are only three words which may be applied to the social and business relations of mankind—competition, combination and co-operation. In a paper read at the National Marketing Conference recently, Milton R. Myers made this statement:

"Competition begins in selfishness, develops in hatred and ends in destruction. Combinations begin in self-protection, develop in selfishness and end God knows where. Co-operation begins in love, develops in mutuality and ends in the good of all."

In the realm of business, the substitution of co-operation for competition has been most significant in the credit man's department. Tardily, perhaps, but truly, we have come to recognize that even in business the good of all is the good of each. By united effort we are seeking to better conditions affecting the granting of credit and the safeguarding of accounts; by a liberal and conscientious interchange of information and experience regarding a credit subject we are regulating and in a measure distributing the risk. When a failure occurs or threatens, we have what is known as the "friendly adjustment."

The friendly adjustment is the handling of a suspended business by creditors through their mutual consent, for their mutual protection and their pro rata benefit. It is the spirit of co-operation actualized. It is the theory of mutuality put to the test of application.

The adjustment of the affairs of an insolvent debtor and the distribution of his assets among the creditors is an ideal subject for co-operation. This truth has been given to us in so many different forms and under so many varying conditions that we are prepared to accept the same without any argument. The difficulty never arises from any disposition on the part of creditors to deny the truth of this statement. It is in the application of this accepted truth that the difficulty is always found. We all understand that when the goods are sold, competition stops. If we accept this as true, it would be illogical to deny that where competition stops, co-operation should begin.

The friendly adjustment method of treating a business failure offers many advantages. Its economy alone, as compared with any other form of liquidation, leaves no room for comparison or competition. The friendly adjustment is economical because it is simple, direct and practical. The machinery of the law is ponderous. Not only do the wheels require a certain amount of lubrication in the form of a legal tender, which of itself becomes a heavy added burden, but formality in the matter of details imposes delay that is often expensive and always irksome. The list of expenses attending a liquidation under court jurisdiction is rather disagreeably familiar to us and need not be recounted here. Such expenses are not present in the friendly adjustment.

In every field of endeavor the best modern thought is directed to

the problem of reducing waste in all departments through the elimination of friction by sound, scientific co-operation. The difficulty seems to be that those things that we understand as individuals, and as individuals in our own establishments put into operation, we seem unable to apply collectively. No good business man would engage five men to do the work of one, for he would at once see that not merely does such a course involve the compensating of five individuals for services, but also that the five do not do the work as well as one could; yet,



IRA D. KINGSBURY
L. Adler Bros. & Co., Rochester, N. Y.
Director

persistently, in the handling of adjustments, we find that business men otherwise sound refuse to follow a rule, the force of which they recognize, and persistently engage many persons competitively to do work which one man alone can effectively do.

But there are other respects in which a friendly adjustment offers economical advantages. It is not only in the reducing of administration expenses and the prevention of waste, but there is a flexibility

about the friendly adjustment which allows each case to be handled according to its own conditions and requirements. It may be a case that needs nursing, one that requires the business specialist, rather than the legal embalmer and undertaker. Very often there are private obligations that can be eliminated in a friendly adjustment, and it is a common instance for a debtor to waive his exemptions if granted a release through this method of settlement.

It is generally conceded that in the handling of property, the courts ever have been a dismal failure. Property rights may properly be the subject of litigation and judicial determination, but property itself, wherever possible, should be kept out of the toils of the law, and its disposition left to business men and business methods.

With the foregoing facts and arguments undisputed, it may be asked why does any one fail to co-operate.

For this situation, as for all things, there is, of course, a reason. The reason is the mistrust, the lack of confidence so often found among those who are charged with the duty of collecting claims. Confidence, of course, is always involuntary. We have confidence or lack of confidence, without any volition on our part. Through association with a man with whom we work through a course of dealings, in which we find fairness, sincerity and honesty, we may develop a feeling of trust, that when the time of stress comes and the temptation to hasty action presents itself, this confidence so developed enables us to entrust the liquidation of an insolvent estate to some other person without a thought that someone may be getting an undue advantage. This brings us to the question—Does it ever pay to get an advantage to the detriment of our associates? The question almost answers itself.

The law of compensation compels payment for every advantage unfairly obtained. An advantage at the expense of our associates is only a temporary one, for some day we must give back what we took. With the knowledge abroad that each man is playing the game with a view to getting the better of his associate that the rules of fair dealing and sincerity and honesty have been thrown aside, each man watches for his advantage, and when the whole thing is added up and a balance struck, it is found that no man has any advantage over the other and that the cost of the whole had been heavy. No economy of administration is possible on a basis where each individual regards nothing except as it relates to the interests of those associated with him.

The whole question sums itself up into one of education. Education is needed among credit men, not for the purpose of establishing the fact that friendly adjustments are far more economical than any other, for as we have seen this is a fact we all concede; education is needed for the purpose of driving home the truth that the individual whose feet are always on level ground, who travels in the open, will travel farther than he who seeks by-ways to some immediate advantage. The cultivation of mutual confidence is a prerequisite to sound credit conditions, and of course, it must follow that that confidence cannot exist unless it is deserved. The fact must be driven home that no man can violate the rules of honest business, and I use the words "honest business" in their highest sense, without paying the penalty for each individual transgression.

Whatever may be said in favor of the man, who, as a matter of principle, refuses to join in a settlement and insists upon enforcing his claim against an insolvent so as to punish him, there is nothing to be

said in favor of a creditor, who, because of some personal grievance, insists upon refusing to join in co-operative action with the other creditors. A course of this kind usually results in loss to the creditors and nothing more. In what way is the insolvent punished, by insisting upon an expensive distribution of assets instead of an economical one. No injury is done to him merely because the creditors insist upon depriving themselves of some portion of the salvage. The force of this argument must have become apparent to those credit insurance companies which have in the past insisted on holding out from friendly adjustments and compelling bankruptcy proceedings.

The other day I received a letter from a leading credit insurance company, in which the company assured me that in the future it would consider a voluntary assignment to a trustee a sufficient compliance with the terms of its policy, and that it would accept proof of such an assignment as the basis for the liability under a policy. This letter indicates a spirit of fairness that is refreshing and encouraging. It indicates that in every quarter the truth that we are so earnestly contending for, namely, the wisdom and fairness of friendly adjustments, is being recognized. If in quarters like this our work is bearing such fruit, it ought to be productive of much greater results among ourselves.

The encouragement of friendly adjustments is of importance, not merely in itself, not merely in the saving of money effected in the several cases; but it is of greater importance as exemplifying the tremendous fact that in co-operation and in mutual confidence lies the solution of by far the greatest number of problems confronting those who extend credit. For this reason as well as for itself, we should at all times encourage friendly adjustments, both as an end in itself, as well as a means to an end for the betterment of conditions, and for the promulgation of a sound and wholesome doctrine. (Great applause.)

President Salisbury—The next order of business is the report of the Commercial Arbitration Committee, H. T. Hill, of Nashville, chairman. (Applause.)

Report of Committee on Commercial Arbitration

To the Officers and Members of the National Association of Credit Men.

GENTLEMEN:—

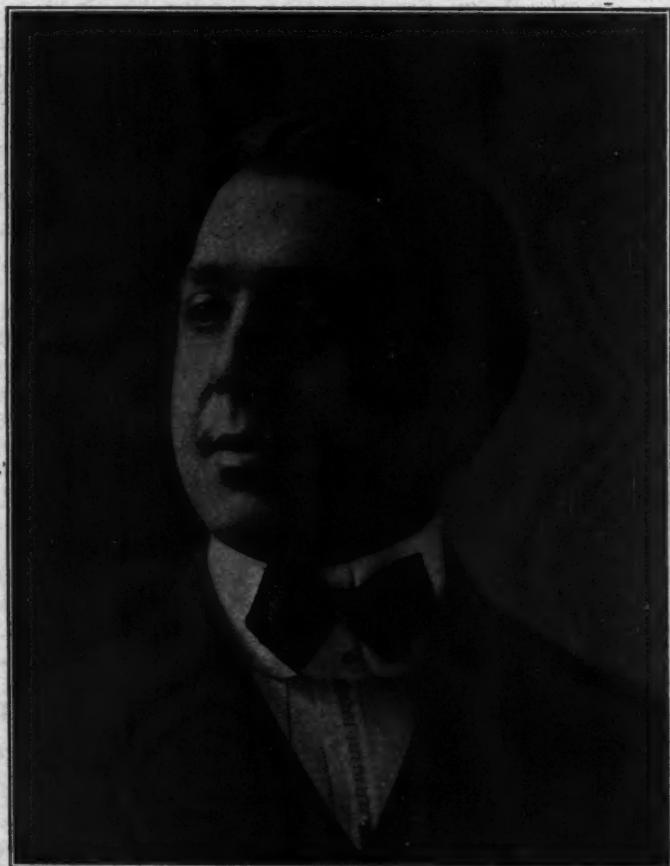
The building of a commercial arbitration system for the quick and economic settlement of rough and ready commercial disputes is proceeding slowly, but your committee hopes, surely. The economy of such a plan and businesslike system established in each commercial center where minor disputes may be referred to the sound, practical sense and judgment of business men is very clear, and ought to win its way in the recognition of busy people in these days when labor-saving devices are so popular.

Your committee does not regard commercial arbitration merely as a labor-saving device, but a system that saves the vexation and waste usually attendant upon long drawn out proceedings in courts of law, and will greatly facilitate the harmonizing of interests which will be opposed so long as a contention is waiting upon the decision of a court.

Your committee has not had the privilege of organizing a department of commercial arbitration in any of our association cities, but

in co-operation with the National office it has observed the trend of matters and believes the soil is ready for the planting of good seed in the immediate years.

The Chamber of Commerce of the United States has had a commercial arbitration department carrying on a very critical observation of the preparedness of certain of our large cities for the introduction of commercial arbitration, and there should be a very close and cordial co-operation between this department of the Chamber of Commerce of the



H. T. HILL
Gray & Dudley Hardware Co., Nashville, Tenn.
Chairman, Commercial Arbitration Committee

United States and the Commercial Arbitration Committee of your Association.

There was prepared and issued during the year a model commercial arbitration statute, the work of our counsel on commercial laws, Julius Henry Cohen, Esq., of New York City. This statute represents a careful analysis of commercial disputes and provides for a simplified procedure with all the effect and power that would attend a judgment in a court of law.

As this was not an active legislative year your committee did not offer the statute in any state, but we heartily believe that the National Association of Credit Men can lend a hand sincerely and heartily to the development of commercial arbitration by encouraging its adoption and following that, the creation of commercial arbitration courts in mercantile centers.

Charles L. Bernheimer, of New York City, who has devoted such long and conscientious service to the fostering of commercial arbitration as a department of the Chamber of Commerce of the State of New York, is looking upon our efforts with deep appreciation and is prepared to tender your committee advice and co-operation.

The principles of economy and expedition in every angle of the credit system should be the peculiar responsibility of the National Association of Credit Men, and in no angle can these principles be so well and profitably applied as in the settlement of disputes and the adjustment of deferred accounts.

Your committee begs to tender the following resolution:

"Resolved, By the National Association of Credit Men in convention assembled that it reaffirms its belief in the principles and practice of commercial arbitration, and earnestly recommends that its Committee on Commercial Arbitration co-operate with other commercial bodies striving for the principle of the economic settlement of commercial disputes, and through its direct efforts urge the enactment, in those states without such a law, of the model commercial arbitration statute.

Respectfully submitted,

C. F. ARMITAGE,
C. W. CARNAN,
W. B. CLEMER,
B. B. EARNSHAW,
NEWMAN ESSICK,
GEO. G. FORD,
GEO. LARSON,
R. D. NORWOOD,
H. R. WEISIGER,
MURRAY D. WASSON,
H. T. HILL, *Chairman.*

President Salisbury—The discussion of this report will be led by F. B. McComas, Los Angeles. (Applause.)

Mr. McComas—The calendars of the courts all over the country at the present time are crowded with cases and in explanation of this, we are told that our courts are handicapped by their tedious procedure, form and precedent; that on account of this crowded condition of the calendars it is very easy to get a postponement by an unprepared attorney, whether his lack of preparation is occasioned by his own carelessness or that of his client. It is also a mild form of punishment, administered by the judge, to set the case over if the attorneys or their clients are not promptly on hand.

I am glad to say that a great many of the more advanced judges of the present time are taking short cuts and are using real business like judgment in the clearing of their calendars.

But when I tell you that the legislature of California last year passed enough bills to make a volume containing seventeen hundred pages, you can readily understand what an undertaking an attor-

ney or a judge of that state has before him in attempting to fit cases to law, and what a splendid opportunity for misfit.

Our legislators seem to have become abnormally ambitious to enact new laws, and our state senator or representative feels that his time has been wasted in the legislative halls if he does not succeed in getting at least one bill passed during his term of office; and his highest goal and ambition is a bill looking to the restraint of trade. (Laughter.)

In the city of Los Angeles we have three thousand ordinances, and it is a perfectly safe bet that the ordinary citizen cannot live one year in Los Angeles without breaking at least one law a month (laughter), yet on every side we hear people making the foolish remark that we should have a new law to correct this and a new law to correct that evil.

At the present time your attorney, if he is conscientious and capable, will tell you that when he takes the average case into court, he can only venture an opinion of what the result will be. In the meantime you are under the suspension of wondering whether you can make your case clear, and whether the deciding judge and jurors will see it your way. Perhaps you rush into court impelled by a sense of right, as viewed from your standpoint, not altogether counting the cost, nor realizing the time, worry, anxiety and uncertainty of the whole matter. You see your case set over from time to time, then lost by a legal technicality or misunderstanding of expert testimony.

I remember, not more than a year ago, I had an occasion to see my attorney regarding the acceptance of a building being built for me by a contractor, and I asked that attorney if under the circumstances my moving into the building before its completion would constitute an acceptance. He said, "I do not know, and furthermore I do not believe there are three attorneys in the city of Los Angeles who know, but I am willing to get the latest rulings and decisions that bear on the subject and let you form your own opinion." (Laughter.) Now that statement was made by one of the best attorneys in Los Angeles and a specialist in his line, and I admire him for having the brains and courage to come right out and tell me the truth regarding the matter.

We cannot blame our attorneys and judges, as they are playing the game according to the rules; that these rules were made by people who did not know much about the game is no fault of theirs.

Now instead of enacting new laws it seems to me that a far wiser course would be to invoice carefully the laws that we have on our statute books at the present time; cull such laws as are obsolete or unnecessary, harmonize laws that differ only slightly; in other words, I would like to go through the statute books, prune the orchard, cut away all dead limbs, then take an inventory and see what we have left. (Applause.)

Let us be careful about the enactment of new laws, but when enacted, let us be very careful that they are enforced or annulled.

We wish to submit to you as a partial remedy for a deplorable condition of affairs, ARBITRATION. We do not claim that all commercial difficulties can be arbitrated, but we do claim that 90 per cent of the minor disputes that are taken into court can be settled in this manner. Questions involving technical knowledge can best be settled by those who are masters of the technical matter involved.

One of our large jobbers recently received a large shipment of patent leather shoes, and upon opening this shipment it was found that the shoes had been packed green and the wrapping paper had stuck to the shoes in places. This was not a case for a learned judge to decide, but just a simple case of appraisement. The point at issue was to determine the exact value of these shoes under the circumstances, and this was a question that could only be decided by business men.

I am glad to say that this case was satisfactorily settled out of court by three arbitrators—one appointed by each client, and the third appointed by these two arbitrators—and these three arbitrators thus appointed had full power to settle the question.

The settlement of commercial difficulties by arbitration will dispense with numberless witnesses called for the purpose of offering expert opinion, because the arbitrators themselves will be the best possible judges of the technique involved in the case before them.

This form of settling difficulties has another advantage. You know the old story of the bankrupt who planned to make one of his creditors a preferred creditor. This man settled all of his debts by note, and when the preferred creditor went for his settlement he received neither the note nor the money, and when asked what he meant by saying he would make him a preferred creditor, the debtor said, "I will tell you right now that you don't get anything, whereas the other creditors won't know for a year that they don't get anything." (Laughter.) It is a great satisfaction to have a thing settled and off your mind. (Great applause.)

President Salisbury—The secretary will read the resolution offered by the committee.

Resolution read by Secretary Tregoe (see report).

W. F. Robertson, Knoxville—I move the adoption of the resolution. Seconded by R. N. French, Kansas City. Carried unanimously.

George E. Melius, Bridgeport—I would move to adopt the report of the committee as a whole. Seconded by H. M. Teaf, Philadelphia, and carried.

President Salisbury—We will now listen to the report of the Mercantile Agency Committee, E. D. Flannery, New York, chairman. (Applause.)

Mr. Flannery—Your committee is going to have very little to say. You have the report before you. It is easily read and your committee is not called upon for explanations, as have previous committees whose reports are educational. The report of your committee is a case of contract and deliver. (Applause.)

You know what results have been accomplished with the agencies. Both the agencies and your committee might quote the saying, "I came, I saw, I conquered." We have gotten together. We have conquered one another. Our work is co-operative. We so understand it. The work of your committee for the past year has been nil. Anything that it has put up to the agencies they have either agreed to or they have shown satisfactorily wherein it would be impossible for them to do as we wish. Now, more than that we cannot ask. There have been several matters that I have gone to them with, and they have shown me wherein it would be impossible for them to do as we wish. For instance, the latest communication I had was from one of our friends in this neighborhood relative to putting addresses in the report books. The agencies have shown that that would encumber these volumes to such

an extent as to make them unwieldy; that the cost of the books would be so increased that it would be beyond all thought, and they know that their subscribers would not be willing to pay for the difference in the cost. That appealed to me as being rather reasonable. I did not mention to the correspondent that if he had bought a report, as we nearly all do, he would have found the address of the party. His complaint arose from the fact that he received an order from a concern in New York and upon looking them up found them well rated, and shipped the goods without further considering the matter. I have no comment to make on his action as a credit man for we all at times do as he did; but as I mentioned before, if he had obtained a report he would have found the address of the party and would not have been "bilked" as he was.

The agencies informed me, and I have found it to be true, that in all cases where firms or individuals or corporations bear a similar name, in the same business in the same town, final reports invariably give the street address.

I have to say further, as I did on a previous occasion, whenever you have any complaint to make regarding agency service, do not keep it under your tongue and become grouchy towards the agencies, but go and interview their local managers, and I am pretty well satisfied that in nearly every instance you will get what you require or a good explanation as to why what you require is not forthcoming.

We have gotten on so well with Dun's and Bradstreet's in the city of New York, that for the first time within my knowledge we have with us, as delegates from that city, representatives from each of these organizations, and they have shown their thorough interest in our work in all ways. Now we as credit men are prone to look upon the agencies as objects to use the hammer on. They are in business for no other purpose than that for which we are in business, and they will deliver goods according to the value. If a man comes to you and wants to buy an article for fifty cents, which you figure is worth one dollar, he does not get it. It may be that in due course you find that the fifty cent article is more popular than the dollar article, and therefore, you manufacture the former. Dun and Bradstreet are doing about the same thing. They are charging us a certain price for their product and if we wish a better article it is for us to advise them that we are willing to pay for it.

In New York, we have many agencies besides Dun's and Bradstreet's, private reporting agencies. We pay them anywhere from \$1 to \$25, and even \$50 for a report. Dun and Bradstreet's have not been doing that kind of reporting for us, nor have they been encouraged to do that kind of reporting, nor do I feel that it would be wise for us to ask them to enter upon that field. The field in which they are now supplying us I consider of great importance, and any attempt to interfere with it might make it worse instead of better.

Again, we can be of great value to the commercial agencies by giving them proper assistance. Again and again they have complained that their reports have been criticised, when as a matter of fact the fault is with the credit men themselves; that their inspectors have gone abroad and interviewed concerns known to be dealing with the parties under inquiry, because of inquiries made of the agencies by them, yet these concerns would give little or no information. Now as I analyze the situation, the credit man, contrary to all ideas, is charitably disposed,

and is inclined at all times to serve the man who purchases goods from his house. He is not inclined to be harsh. In fact he never is harsh until he is driven to being so. And for that reason, he is disinclined to give information to the agencies, as is their due.

I had a call last evening from the representative of the Mercantile Agency Committee of the Rochester association. He suggested a thought which seems to be of great value; it is, that those who ask reports from the agency, furnish the agency with their experience on that individual. Now, I do not know whether this idea is practical or not, but it has appealed strongly to me. We should certainly give more assistance to the agencies, because in giving this assistance we are enabling them to give us a proper service and make credit granting safer.

Your committee this year had little or no work, as I have stated. I have had occasion to call on the representatives of both agencies many times, but always for friendly conference. They have always had their doors open to representatives of our organization and have always been willing to listen to what we had to say. If they find we have been over enthusiastic on some point they tell us so in a kindly spirit and show wherein our requests are not modest. I have put up pretty strong propositions to them at times. On the job as I am I have got to make good and in making good I have had to put up some propositions which were a little rough. Sometimes, you know, we ask a man for 100 per cent on an article and get 25 per cent. Well, one-quarter is a whole lot on some occasions. (Laughter.)

I wish all of you would act in co-operation with this committee, and help it as much as you can, by reaching your local office of the agency whenever you feel that its work is defective. This will be appreciated. The only way the agencies know when their work is defective is when it is thrown back on them. All of you know that when you are dependent upon employees your deliveries are not always good. I have had occasion quite often to complain about the work in my own establishment. We send goods as far as San Francisco, and we get them back because they are imperfect. The young men who have shipped them have been negligent and careless. They have sent these goods out in such form that the recipient has had to return them. They were not fit to be received. Of course the house is held responsible for that, and justly so; but it has been beyond the knowledge of the management.

Now, it is so with Dun's and Bradstreet's. They are vast institutions. Drop in and note the magnitude of the operations of those institutions, and you will be simply astounded. I was born and brought up in New York City and familiar with mercantile work; but I have, until recent years, been in absolute ignorance of the volume of the work that has been handled by these organizations, and to me it is positively astounding that they do not make more blunders than they do. The only thing I can cordially criticise is their poor mechanical work; but the price we pay for reports does not make possible the employment of the class of labor that would give better mechanical reports. For many years there has been scarcely any advance in the cost of reports, yet we all know that in every other line the cost of doing business is advancing. Only a very few years ago I was able to get an office boy for three dollars a week. I pay him seven dollars today and then I don't get much. (Laughter.)

We must consider all these things when we are asking a man to deliver something. If you go to a butcher and ask for twenty-eight cent steak you get it; and if you want thirty-five cent steak you get it; and if you want seventeen cent steak he tells you to go around the corner and get it. (Laughter.) Now, the agencies are willing to give us what we pay for. I do not say they will ever make the perfect institution that one of my friends would like them to make; he would like to sit at his desk and touch a button and have Bradstreet tell him whether he shall ship an order or not. (Laughter.) Now, if they ever get down to that state of perfection, I am very much afraid we all will lose our jobs and the office boys will get them.

As I said before, if you have any complaints to make, make them to your local representative. At the same time, if you do not feel that you are getting justice, write to your committee and you will get justice.

The Mercantile Agency Committee of the National Association does not deserve the credit that some of its predecessors are entitled to, for the simple reason that its chairman happened to be located where the headquarters of Dun's and Bradstreet's are located, and he can get in personal contact with the heads. We all know what that means. You know that when you drop into a branch agency of any concern you never can get the same results as from the chief himself, for he is in a position to do what the subordinate dare not and what you would not allow your subordinates to do.

There is one thing more, and that will be about all I will have to say. It is going to be entirely outside of our work as a committee.

I want to thank our worthy president and the board that has been with him for the magnificent help they have been to us all. They have not interfered or hampered us in the least; they have encouraged us in every way. As a member from New York I want to thank him. And while our Association will never have to cry for good timber, when we have it, I know it; and for our worthy president I cannot speak too highly. And amongst the very good things he has done is to send us that very worthy successor of Mr. Meek, dear old Harry Tregoe, who has been the best friend this organization ever had. (Great applause.) And I want to tell you how he won New York. He won New York by being a bulldog. He came down there and fought us, and we fought him back, and we now understand one another, and we will back him through thick and thin. (Applause.) He would come down alone. He has got lots of pluck. He would come down alone in our meetings, and I tell you, we would have good live times. On one occasion, after one of our conferences, one of the members said to him, "Will you be kind enough to give us an idea of what you think of us in New York?" We did not know what he would say after the thumping that he had given us, and we had given him. He thought a minute and then said: "Gentlemen, you are the coldest-blooded lot I ever met in my life, but I trust you." (Applause.)

Now I am going to ask, on behalf of New York, that the National Association will always trust us, because we intend to earn it from you, and we will stand by the principles of this organization as long as we live and the only thing that New York will ever ask of the organization is that it be conservative.

I thank you for your kind attention. I wish to see you in many conventions, and I trust that those who have been with us for so many

years, our worthy president and his predecessors and all of you, will live to enjoy these conventions as I have, and to feel that we are doing a good and great work. (Applause.)

Secretary Tregoe—I did enjoy lambasting those fellows in New York. (Laughter and applause.)

Report of Committee on Mercantile Agency Service

To the Officers and Members of the National Association of Credit Men.

GENTLEMEN:—

At a psychological moment, just as the chairman of the Committee on Mercantile Agency Service was to present his committee's report to the Cincinnati convention, there was handed him and read to the convention a communication from the executive officer of the Bradstreet Company expressing the intention of that company to revise its reporting system by the paragraphing of information in all reports under general headings as suggested by the committee.

The committee of last year had directed its efforts almost entirely upon convincing the managements of R. G. Dun & Company and the Bradstreet Company that the simple paragraphing of their reports would meet a deeply felt want of the credit department and favorably react upon the service of their agencies.

While the request was merely for paragraphing, it was realized that the adoption of the committee's suggestions would compel such a rearrangement in the gathering together and distribution of information that the agencies naturally would require a careful and prolonged consideration before reaching a decision.

Naturally the chairman of the committee who received the above mentioned message from Bradstreet and who was continued as committee chairman through the year just closing, felt greatly elated over this favorable action, recognizing as he did, that when the new plan was fully developed it would prove of great value to credit men.

In the fall, but a short period after the convention season, the management of R. G. Dun & Company informed the chairman of your committee that that company also would revise its reporting service by the paragraphing of reports.

Your committee, cognizant of what this revision of the agencies' reporting system compelled, felt that every encouragement should be given to its development and that the attention of the agencies in working out this revision through all their distributing offices, should not be disturbed by having other problems presented for immediate consideration.

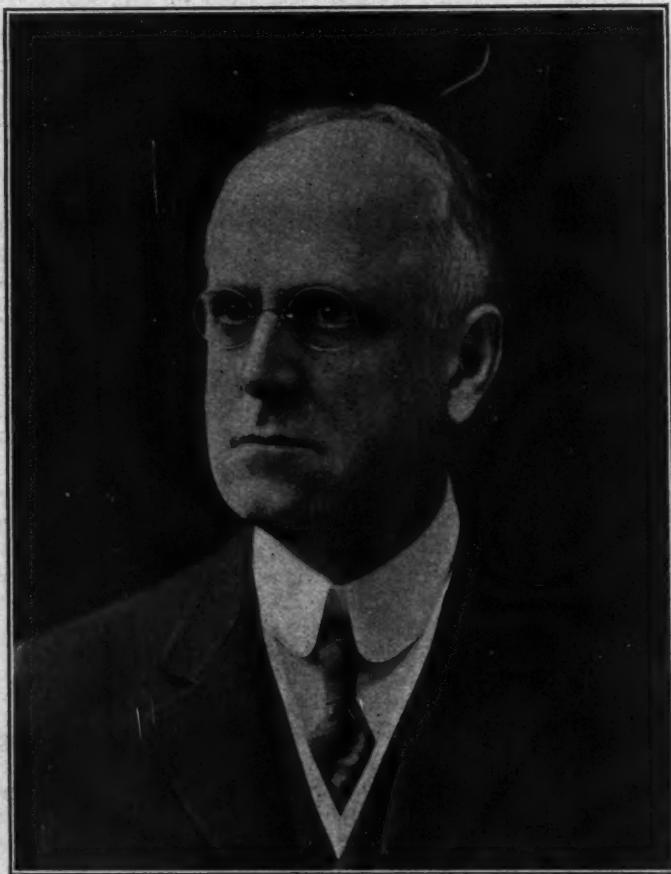
Your committee has not been able to ascertain precisely how extensive this paragraphing system has become, but reports from the large mercantile centers would indicate that it is becoming general and credit grantors are expressing much gratification.

Your committee believes that this is the most important concession secured for agency subscribers as a direct effort of the National Association of Credit Men and it should be known that in considering the suggestions tendered by last year's committee, the managements of the two agencies always displayed toward your representatives a most cordial treatment and regard.

During the year just closing, your committee has not felt the need of meeting agency managers in conference. Matters submitted to the

National office or the committee chairman were quickly handled by correspondence or informal meeting with the general managers of the two agencies in New York City. Questions brought up related to desired changes in rating books, the supplying of additional information gratuitously and increased charge for certain service.

In considering these questions, the agency managers exhibited every courtesy and good feeling. Your committee now desires sincerely to caution the membership against expecting what on a close analysis will be found unreasonable and tending to diminish the exercise of that dis-



E. D. FLANNERY
A. Steinhardt & Bro., New York, N. Y.
Chairman, Mercantile Agency Service Committee

cretion and common sense which are two necessary elements in the work of credit men.

A part of the bad debt waste is directly due to too great a reliance upon rating books. These books are intended merely as an indication, not as an absolute guide for credit granting, and the tendency to depend upon them has been abused by the fraudulently inclined who borrow well

rated names, send promiscuous orders, receive goods, dispose of them immediately, and are then swallowed up in the unknown.

The right attitude for each credit grantor or subscriber to a mercantile agency service to take is to expect the highest character of service and then to stand ready properly to remunerate the agency for the efficient work. There is a mutuality of interest between the agencies and their subscribers which should always be respected and by the expression of reason and patient persistence there must be developed a continuing increase in the efficiency and value of the service and a proper recognition and support of that development by the credit man.

Your committee wishes again to emphasize the expressed desire of each of the agencies that illegible and inaccurately written reports be returned to the issuing office and that all minor complaints of dissatisfaction attending their services be promptly taken up with the managers of the local offices.

Questions of general importance as they relate to efficient and proper service can and should be undertaken by the committee of the National Association, but minor questions can just as well and properly be disposed of at the locality of the issuing office and with perhaps more expedition than would be possible at headquarters.

Your committee, in concluding its report, calls for an expression of bigness, reasonableness and co-operation in the attitude of credit men toward the agencies, and that there may be established and maintained a relationship that through mutuality of interest will tend to and encourage increased efficiency of service.

Your committee begs to tender the following resolutions:

I

"Resolved, By the National Association of Credit Men that its thanks be tendered to R. G. Dun & Company and Bradstreet Company for the revision of their reporting systems by the simple paragraphing of reports.

II

"Resolved, That through the efforts of local Mercantile Agency Committees it should generally be made known that the managements of Bradstreet Company and R. G. Dun & Company desire the return to the issuing office of all illegible and inaccurately written reports, and that minor questions touching upon the service be adjusted at the local office.

III

"Resolved, That each local association be urged to appoint a Mercantile Agency Committee with the direct purpose of observing local mercantile agency service and tendering such suggestions in a reasonable and proper spirit as may mutually assist the agencies and their subscribers.

IV

"Resolved, That the incoming Committee on Mercantile Agency Service promote cordial conferences wherein questions relating to the efficiency and value of mercantile agency service may be considered and at all such conferences due and cordial recognition be granted to representatives from the agencies and the opportunity allowed them to present their viewpoints upon questions under consideration or in dispute.

V

"Resolved, By the National Association of Credit Men in convention assembled that it recognizes the mutuality of interest between the mercantile agencies and their subscribers and cautions against the development of any attitude that would unfavorably affect a relationship that may promote, through co-operation, increased efficiency and weaken in any manner the mercantile agency reporting system.

VI

"Resolved, That the mercantile agencies be urged to throw every safeguard consistent with their best powers around the gathering together, compilation and distribution of information so that they may continue to be valuable arms of the credit department and give full value for the confidence and compensation of their subscribers."

Respectfully submitted,

THEO. HETZLER,
CHAS. J. ROH,
HUGH R. JONES,
E. B. HOWELL,
GEO. L. HASTINGS,
JOHN T. MADDREY,
HOWARD D. THOMAS,
R. A. PORTER,
H. B. HILL,
A. H. DODSLEY,
E. D. FLANNERY, *Chairman.*

President Salisbury—The open parliament on the report and resolutions will be led by Charles Bohannon, of Evansville, and L. B. McCausland, of Wichita. First, Mr. Bohannon. (Applause.)

Mr. Bohannon—One of the purposes of this Association, as I understand, is to eliminate, so far as possible, bad debt losses, and in doing that, we rely in a very large measure upon the reports from the mercantile agencies. If these reports are misleading, the losses increase; if they are correct they assist us.

The relation existing between the mercantile agencies and their subscribers is pretty much the same as exists between any two mercantile organizations. Their reports are what they have for sale and they are what we buy. We have a perfect right to expect from these mercantile agencies the right kind of service—correct service. If it is not the right kind of service they give us, we have a right to kick, and if we do not object we are not doing our duty.

One particular feature of the report just presented has impressed itself upon my mind; it is the expression of the cordial relations existing between this Association and the agencies. Such relationship is all well and good, but sometimes it can be carried a little too far. We have a perfect right to expect good service and I think I am not overstating when I say that the service we are getting is not just what it should and might be. A mercantile agency man will not take any exception to this stricture. They will admit it is correct. And it is entirely proper that we should keep on good terms with the agencies; but we should not overlook the fact that when the right time comes we should demand and require better service than we are getting.

There is just this one point that comes to my mind, which I want to offer as a suggestion; I shall pass it in written form to the secretary to be handed to the Mercantile Agency Committee. The mercantile agencies solicit custom from their subscribers, which is entirely proper. I am going to suggest that the Association have little stickers printed, on which is stated a list of the more common errors that are made in the mercantile agency reports, that the Association furnish these to all the members and that the members be urged, when they get a defective report, to put a sticker on it sending it back to the office from which it came, with the request that in the particular noted a better report be issued. The point I am making is just this: If these stickers come pouring into Bradstreet's and Dun's offices from eighteen thousand concerns a wholesome effect will be produced upon their entire service. I shall pass this to the secretary, hoping that it will get into the hands of the chairman of the incoming committee, and hope it may receive consideration. (Applause.)

President Salisbury—We shall now have the pleasure of hearing from L. B. McCausland, of Wichita. (Applause.)

Mr. McCausland—The secretary refused to write something for me to read to you and I had to write it myself. (Laughter.) The subject assigned by the secretary was "The Relation of the Credit Department to the Mercantile Agency and the Mutuality of their Interests."

As I see it, the relation of the credit department to the mercantile agency is the same as the relation of an employer to a trusted employee. The credit department usually relies upon the information furnished by the mercantile agency, and limits the amount of credit extended to a certain firm in accordance with the character, capacity and capital strength shown in the report of the mercantile agency. The satisfied employer usually recognizes skill, energy and ability, without having his attention called to the subject by the employee, and is usually willing to pay a fair reward for the service given by such an employee. The employee must give to his work close application, painstaking care and especial skill in order to prove his right to a reward. The mutuality of their interests is apparently the service to be supplied by the employee to the employer.

If the report furnished by an agency shows clearly the resources, assets, liabilities, character, habits and integrity of the firm asking credit, then the agency is entitled to the price charged the credit department and also to the thanks of this department.

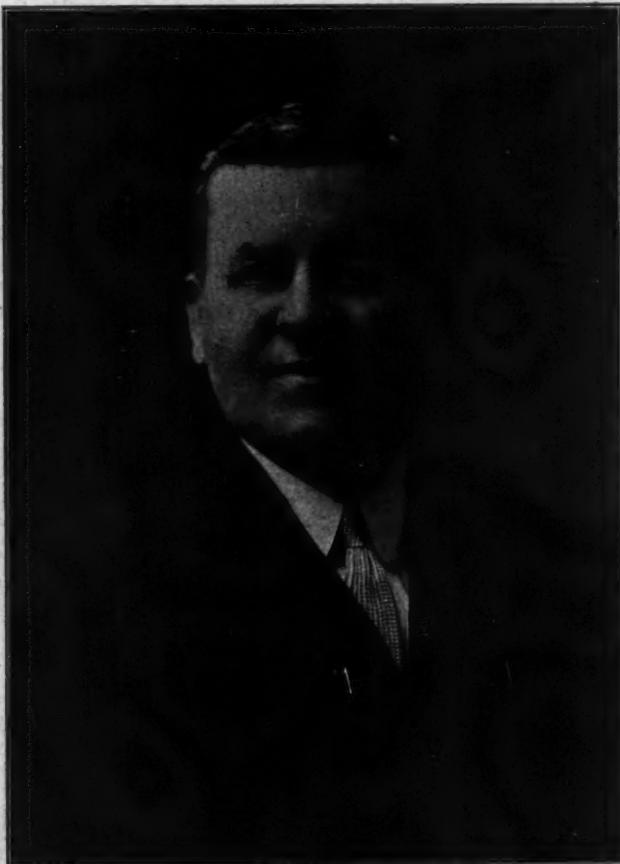
If mutual satisfaction is to be the result of exchanges between the credit department and the mercantile agency, the credit department must show courtesy and consideration to the mercantile agency and also co-operate to the fullest extent. Information furnished by the credit department will materially aid the mercantile agency and will permit of its making the fullest investigation of the statement of any firm requesting credit.

By following this method, the mercantile agency will demonstrate that it is an employee to be trusted, and we feel certain it will use tact, courtesy and diligence in securing statements and making up reports for the credit departments, and if the mercantile agency will use clear, concise statements, paragraph in proper sequence of importance the different items making up the report and tell in a few words the things which will permit the credit department to extend

credit in proper amount, then it will have done its part in performing satisfactory service.

When the credit department and the mercantile agency forget the differences now existing in many cities and look at this matter from the point of view of mutuality of interests, then the service performed by the agency will be such that the credit department will fully recognize the importance of doing everything possible for the agency. (Great applause.)

A. C. Carpenter, New Orleans—As we are getting a little behind



L. B. McCausland
Ross Bros., Wichita, Kansas
Director

in our schedule; to expedite matters, I desire to move that this report in full, together with the resolutions, be adopted as written, instead of adopting the resolutions separately. Motion seconded by C. W. Hughes, of St. Louis.

F. H. Randel, Cleveland—I believe that that is contrary to our constitution, and I would add to the motion that the rules be suspended.

President Salisbury—Is that acceptable, Mr. Carpenter?

Mr. Carpenter—That is acceptable.

President Salisbury—Mr. Carpenter moves that the rules be suspended and the report of committee, together with rules offered, be adopted as a whole.

Motion put and carried unanimously.

President Salisbury—This report, and the resolutions offered, are adopted.

We will now hear an address by D. A. Landress, of Chattanooga, Tenn. (Applause.)

"What Part of the Bad Debt Loss is Avoidable"

AN ADDRESS BY D. A. LANDRESS, CHATTANOOGA, TENN.

Mr. President, Mr. Secretary and Gentlemen:

My time is so short and my tongue is so much inclined to the hesitation instead of to the tango step, that I freely waive the privilege of starting out by telling you a story which this question reminds me of, and hasten to get down to hard facts with as little delay as possible.

To draw your attention, I offer you in the place of my own, for the most part the ideas of other men whose wider experience and ability would give weight to their views, while mine might not be so weighty.

In using the thoughts of others, I have been actuated by the motive expressed by Emerson, when he said: "He is a rich man who can avail himself of the faculties of others; he is the richest man who knows how to derive the benefit from the labors of the greatest number of men." Not only that. Not only will this short address of mine be in part simply a symposium of the thoughts of others; not only have books been written and treatises prepared in the same manner; but I submit, in this expression of Emerson's is found the answer to every problem, every undertaking, every enterprise which engages our energy and our thought.

May I pause here to say that you will be efficient, well-equipped credit men only to the extent that you avail yourselves of the faculties of others. And if there be those here who would draw from the experiences of others, profiting thereby, but who, at the same time, are indifferent, to say the least, about sharing with others their own knowledge, then I would remind you that it is more blessed to give than to receive. (Applause.)

I first intended to give you at this point the names of those who were asked for suggestions for this address, and who so kindly responded, but upon second thought, and every credit man ought to think twice, I believe that if I were to do that it would mislead you to thinking that it was from them only that I received, as I approached the platform, that appreciative applause. (Laughter.)

Dun's Review, of January 10th, gave a table of the failures for thirty-eight years. Many of you have already seen it. Their aggregate was nearly six and a quarter billion dollars. The probable salvage deducted, left the loss to the creditors about five billion dollars. To enable you to think in such large figures, this is about five times the present capitalization of all the national banks of the United States; five times our public debt; three-quarters of the capitalization

of the railroads; three times our annual imports and nearly twice our exports.

Bradstreet's points out that last year, which was an uncommon year, the failures reached nearly \$300,000,000, with a loss to creditors of about \$220,000,000.

Some people are inclined to do a great deal of talking about the yellow peril. As evidence that there is no such peril the total annual revenue of the nation of Japan hardly exceeds the amount which leaks through in the operation of that credit system by which we are developing the resources of this wonderful country; and yet, Japan's public debt is a hundred million dollars more than ours. Some of you no doubt will get a better grasp of the meaning of this annual bad debt loss when I tell you it is enough to buy out, lock, stock and barrel, the moving picture industry (laughter), and that the dollars would equal in number the number of feet of moving picture films unreeled in two nights. There are many, many things that we could do with our annual bad debt loss. Among them would be to construct and add to our navy enough modern battleships to make it the undisputed war mistress of the seas, guaranteeing forever that Uncle Sam would never have to fight again.

It was not I who discovered this great stream of losses. It was already on the map when I explored the land and in the minds of none of you, I suppose, is a dribble of doubt as to its existence. Neither, as it rolled on unheeded and undisputed, though, as is also true of that South American river, all too feeble, it seems, has been every effort to dam it. (Laughter.) In the one case we applaud the sand and the grit exhibited, the sacrifice and endurance which led to the discovery of that river, and in the other case, we will honor those who are responsible or will be responsible for the further reduction of the bad debt loss.

We have learned, and we did not learn any too soon, that instead of trying to break the force of the current, or to hold within its banks this great drift of waste, the thing for us to do would be to go to the source of the tributaries on which it is fed and do our work there. That great strides have been made is evidenced by the fact that the proportion of business failures to the total number in business has decreased from $1\frac{1}{3}$ per cent in 1896 to less than 1 per cent in 1913, and if conditions had been normal last year the showing would have been far better. To tell you how this was done would be to give you a history of this Association from its very birth in 1896. To tell you how business failures, and in consequence losses on bad debts, will be still further reduced, would be to give you a glorious prophecy of the future achievements of this Association, if it is to be continued to be led, as it will be, by men of the qualities of mind and heart possessed by its present leaders. (Applause.)

Authorities consulted, which have made a study of failures from all causes, and preventives, assert with confidence that the bad debt loss can be and should be reduced 50 per cent. That means, that this item of expense, the cost of doing business of the country so far as it relates to losses, is about twice what it ought to be. It is recognized that the bad debt loss cannot be entirely eliminated. That part which is inevitable is counted a part of the cost of doing business the same as any other item of expense. If 50 per cent of the bad debt loss is unnecessary, that means that we business men are throwing away over

a hundred million dollars a year. If a hundred million dollars can be saved, I believe that a large percentage of it will be due to the withholding of credit from those not entitled to it, either by no extension of credit at all in some cases, or by restricting the lines of credit in other cases and holding more rigidly to the limits fixed. If this saving had been effected in past years, and if it would have meant that any large percentage of business which finally resulted in the so-called unnecessary loss would not have been done at all; if it would have meant any considerable lessening of the distribution of our goods and wares, then there are some who would hold that it were an economic mistake as well as a loss of profits to save the alleged waste, for they would contend that before this amount was lost, perhaps hundreds of millions of dollars worth of business had been done with those on whom the losses were made, and thereby had been effected not only by a large volume of profits, but the production, perhaps, of that billion dollars worth of goods, and hundreds of thousands of dollars in wages paid to producers, whose earnings also went into the channels of trade; and thus, would have been defeated the highest purpose of the credit system, the building up of our industries and the development of our natural resources. It is assumed, however, that the saving of this part of the excessive loss would not have meant the curtailment of business, and that had credit been withheld from those who failed and on whom the losses were sustained, the business which they did would have been diverted into the hands of the more responsible dealers, and the credit grantors who withheld credit from the undesirable risks, would have gotten a corresponding increase from the better class of merchants, due to the elimination of the dishonest, incompetent and untrained dealers. (Applause.)

Only two or three of the things which we are going to do to wipe out this excessive loss, can be mentioned within the few remaining moments left to me. There are so many phases of this question, that they could not be discussed in an hour's address. I remind you of that, because I do not want you to think that the contributors to this address are telling you, through me, all that they know about credits. (Laughter.)

The credit man, of course, is keen to the entire situation, and I would say to him that the biggest word in all human endeavor is "efficiency."

This assault, as it is called, on the bad debt loss is a call to efficiency, clear, constant and insistent. It is a call that is heard on every hand and one that must be heeded by every business that would survive, by every department of every business, to make an organization effective, and by every individual unit of that business if he is to keep pace with his fellows.

Efficiency in the credit department is only a part of the general program looking to the conservation of energy, talent, and skill, to which more care must be given by the manufacturer, tradesman and workingman, if our goods are to be offered in successful competition with those of other nations in the markets of the world.

Hereafter, only quality of goods and degree of skill will be relied upon in the fight for trade. In that contest, merit alone will count, and upon that basis American industry will stand, without asking any odds of any country under God's sun. (Applause.) I do not know a better place to say that than in Rochester, N. Y. (Applause.)

The elimination, then, of the bad debt loss involves, among other things, the training of credit men. And I congratulate the business interests of the country on the assurance which comes to us, through that report of the Committee on Credit Education and Management, that we are to have better-equipped men for this line of work as well as other lines of work.

The credit man of today is a fine type of the modern business man; he is constantly raising the standard of his efficiency by taking advantage of every form of training at his command; and when he finally retires, I believe that he will be succeeded by a man who, by reason of his increased advantages over yours and mine to develop his mind and body and ideals, will be to a more perfect degree, physically, mentally and morally, a man. (Applause.)

The making of better merchants is part of the educational program of this Association, and it will result in the reduction and finally in the wiping out of a considerable portion of the failures resulting from incompetence, inexperience, lack of capital, unwise credit, extravagance, neglect, speculation and fraud. To a more or less extent, every one of those causes will be affected by education; and especially do I hope that part of the work of education to teach men to be honest will have as its result a finer conscience.

By the way, did you know that so effective has been the fight that this Association has made on fraud, that although the liabilities of failures last year reached \$300,000,000, only \$25,000,000 of it was due to fraud.

There are some splendid merchants today. They are just as up-to-date as you can find in any line of endeavor. We need more of them. There are not enough of them to control all the business. The trained, up-to-date merchant of tomorrow will be able to make his dealings with his customer so much more reliable and otherwise satisfactory than can his incompetent competitor, as to mean the automatic and certain wiping out of the latter. Eventually 40 per cent of the bad debt loss will be wiped out by education. But are we going to wait until that good day to save the hundred million dollars? I think not. I think that we will use the means which have already been provided.

And right here, many suggestions could be offered which some of you might not think practical. They might not fit your business because of local conditions which we could not control and policies which we would not undertake to change; but I believe there are remedies which I can name and some which I shall leave unnamed, which can be applied to any business.

For one thing, availing ourselves of every way in the world of getting it, we are going to require more complete and satisfactory information. One of the brightest things that has been said on this point has come to us from a man who, though not living today, is considered by this generation as having been in his time tolerably bright. He says: "The prudent man dealeth with knowledge." More knowledge must be had of the surroundings of your customer; of the conditions under which he is trying to do business; of the man himself; of his financial ability; of his business capacity, and other things, and above all, his strength of character. (Applause.)

Instead of trying to tell you how to use certain sources of information which we have not been using, but which can be made of great value, I will just barely mention them.

Let me urge you to get information. Do not try to do without it. You can gamble better, if gamble you must, with the facts before you, than you can without them. Some credit men who have helped to swell this stream of losses have been very careless in passing on orders, with only incomplete information in hand, having fooled themselves into thinking that a liberal credit policy means a loose credit policy, and forgetting that "he becometh poor that dealeth with a slack hand."

Some houses are utterly discouraged about using the salesmen in preventing losses; but I know from experience that they can be shown how to gather information for you and furnish you with facts instead of illogical and jumped-at conclusions.

But I pass on to express a hope that we will soon have established throughout this country such a system of interchange of information bureaus as will give us as nearly 100 per cent clearing service as it is possible to secure. (Applause.)

I know men who are paying \$75 to \$100 a year for partial clearing service, who would willingly pay \$1,000 for 75 per cent to 100 per cent clearing service. When we get this bureau service established and classified into zones, I trust that there may be some way of having attached to them efficiency experts and certified public accountants, under such a plan as will provide a leverage which will induce the merchant not only to submit to an examination of his business but also to pay the expense because of the benefit which he himself will derive therefrom. Case after case could be cited of how losses have been prevented by this clearing service information.

Some credit men think that they can get along without this information, which reveals, among other things, whether a man is telling the truth about what he is owing. They are placed somewhat in the position of those of whom it was said: "The simple believeth every word." I think Solomon would have been a fine credit man.

On this point of approving orders which would not have been passed had conditions been known, and even while other houses saw trouble ahead and were trying to get their money, he said: "A prudent man seeth the evil and protecteth himself, but the simple pass on and lose." (Laughter.)

My friends, in none of these things which this Association is trying to do can we succeed without the heartiest co-operation. We must work together from the standpoint of our individual interests. But I plead with you that we get it on a higher plane than that: Let us do it in the interests of the entire business of the country. This thought of helpfulness, of helping each other, and helping our customers, and in planning higher ideals is expressed by Burns:

"Then let us pray that come what may
"As come it will for a' that.
"That man to man the world o'er
"Shall brother be for a' that."

In forty-five seconds I shall take my seat. I want to call your attention to one evil, that of the publicity of claims indiscriminately, inadvisedly, and too hastily placed in the hands of collection agencies.

This list of claims was handled by one concern in just a short period of time. The evil is obvious. It is putting men out of business who should stay in, and receive, if they could receive, the temporary support from their creditors which they have a right to expect. I have a sufficient knowledge of some of the dealers whose names appear on this list to assert that many of these claims could have been collected by the credit departments sending them out had they received the conscientious, diligent and intelligent attention which somebody was paid to give them. (Applause.)

In many of these cases, many times the watchful waiting policy of helpfulness to and co-operation with your customers is the square deal.

I beg to express the hope that we will soon have a sufficient number of efficiently managed adjustment bureaus to handle all claims that can be legitimately sent out. These bureaus should be owned by the manufacturers and jobbers and there should be practical credit men in charge, possessing constructive power and constructive ability; many, many failures could be prevented, if the affairs of the customer were gotten into the hands of the creditors, through the instrumentality of these bureaus or otherwise. But when failures are inevitable, friendly adjustments will get you more than it is possible for you to get in any other way.

Last year, based on showings which have already been made in that direction, forty million dollars more could have been realized by creditors as salvage, than was realized.

My friends, all too incomplete, too crude and academic I realize, has been my presentation of the thoughts which some of you have furnished me and I apologize to you. But I shall be glad if I have made any of you feel more than you have felt the responsibility herein expressed. We are not here to play, to dream, to drift; we have work to do; loads to lift; shun not the struggle, 'tis God's gift. (Great applause.)

Secretary Tregoe—Will you allow me to say just this because I think the convention will be interested. Mr. Landress was our dark horse; he was unknown; we asked him to speak, not knowing what he would do, and, of course, we rejoice in his splendid address. (Great applause.)

D. S. Ludlum, Philadelphia—I promised myself not to say a word at this convention but I am just forced to say that we owe Mr. Landress a great deal more than the applause we have given him for the very able and forceful way he has put before us the duty that we all owe our Association, therefore, I would like to offer a motion that we extend to him a rising vote of thanks.

Seconded by E. D. Flannery, of New York, and unanimously carried amid applause.

President Salisbury—We shall next have the pleasure of listening to an address by Hon. Wm. E. Werner, Rochester, N. Y., Associate Judge of the Court of Appeals of the State of New York. Let me ask you to be quiet so that we may hear every word that Judge Werner may have to say. (Great applause.)

Before delivering his address Justice Werner said: First of all let me thank you all for the warmth of your welcome and for the privilege of participating with you in the work of this great convention which has honored Rochester in meeting within our hospitable gates. Rochester

has had occasion within recent years to welcome the representatives of many organizations, but I am sure none have been received with greater pride or pleasure than the delegates to this convention. (Applause.)

We recognize that the work in which you are engaged is not only of the most serious but of the most beneficent character, and that upon its efficacy depends somewhat the welfare and the future, not only of this country, but of the whole business world.

When I was first asked to address you, I was tempted to decline, because I reflected that as a class, lawyers and judges are not on the preferred list. (Laughter.) What the average lawyer does not know about credit by personal experience would fill more volumes than it takes to present the laws of the state of New York.

And then there was the choice of a subject. And strangely enough the first thing, and I might almost add, the only thing, that popped into my head, was that story which very admirably illustrates the far too prevalent idea of the functions of credit. As the story goes, Abe Jenkins and Mose White, two colored gentlemen, had been in business together, and from the beginning things had steadily gone from bad to worse, until finally Abe decided that the firm must be dissolved. With the aid of a negro lawyer he drew up a notice of dissolution, which read something like this: "The firm of Jenkins & White is hereby dissolved. Anybody what is owing anything to the firm will settle with me, everybody else will settle with Mose." (Laughter.)

The Uses and Abuses of Credit

ADDRESS OF HON. WM. E. WERNER, ROCHESTER, N. Y.

Associate Judge, Court of Appeals, State of New York.

For the title and substance of this paper I am very largely indebted to William A. Prendergast, whose able and exhaustive work entitled "Credit and Its Uses" is a text-book that should be in the library of every credit man in the country. Without the help of this guide I should hardly have the courage to appear before this assemblage of highly trained business experts. Let me begin, therefore, by saying that I bring you nothing new, nothing startling. My purpose is to discuss a few familiar facts, principles and theories in the hope that we may be able to extract from them some suggestions that will promote the great work of this organization.

Credit is the confidence reposed by those who sell or lend in the ability and disposition of those who buy or borrow, to meet their future obligations. Commercial credit has been defined to be the confidence that subsists among commercial men in respect to their mercantile affairs. Without this confidence credit could not exist, for no man parts with his property unless he has reasonable assurance of receiving its equivalent. Credit, in its primary sense, is simply the power to borrow, but its commercial meaning is much more restricted. If A lends money to B on a mortgage covering land which in all circumstances will always be ample security for the loan, the element of credit does not enter into the transaction at all. In such a case there is simply an exchange of equivalents. A gives up his money, and B parts with a sufficient interest in his land to pay the debt. The fact that payment is to be made at a future date and that it may come from the borrower without recourse to his land does

not invest the contract with any of the characteristics of credit. It is a loan on security and not on credit.

In the commercial world credit is but another name for capital. To the seller or lender it means that he is entrusting his goods, his money or his credit to a purchaser or borrower in the confidence that upon an agreed future day the debt will be paid. To the purchaser or borrower it means the acquisition of goods or money without which he must either do business on a more limited scale or perhaps be shut out altogether. This is, in effect, a transfer of capital from one individual or concern to another.

When we consider that the great volume of the world's business is done almost entirely on credit, it will readily be appreciated that practically every business man is operating to some extent with money or property that really belongs to some one else. This system begins with the producer of our so-called raw materials and extends on through the manufacturer, the jobber, the merchant, the retailer and the ultimate consumer. From these facts we can get something of an idea of the vastness and the intricacy of the commercial credit system. The complexity of its endless ramifications is further accentuated by the reflection that all commerce consists in selling and buying, lending and borrowing by the same men or corporations at the same time. A single business concern, for instance, may buy on credit from twenty or more other concerns, and then at the same time sell on credit to several hundreds or thousands of its own customers, all of which in their turn go on by the same process in an endless chain. These general features, thus briefly summarized, are but the alphabet of the system and are supplemented by countless interlocking details which you credit men understand much better than I and which it is not my purpose to discuss in this short address.

The reasons for a credit system are necessity and convenience. The necessity arises from the fact that the precious metals are not produced in quantities equal to the values of commercial intercourse. Business cannot be done on a cash basis without an amount of money equal to the volume of business. There is not money enough in the world for this purpose. I am not speaking of fiat money, nor of the paper notes and certificates which pass from hand to hand as money. These can be created without limit. I refer to the precious metals in the form of coin or bullion which, in every sound financial system, are regarded as the standards of values.

Then there is the necessity of convenience. It would clog the business of the whole country if, in the city of New York alone, it were necessary to make a physical transfer of coin or bullion in payment of a single day's commercial obligation. And if such a system were sought to be extended throughout our country or the commercial world, it would practically interdict all commerce. The magnitude of the daily clearings of checks, bills of exchange, notes and other obligations in the great financial centers amply demonstrates the utter impossibility of doing business without credit and without a commercial credit system.

In no part of the world has the credit system been more highly developed than in this country and nowhere have its benefits been more conspicuously illustrated. Credit has done as much as any other agency to make this the land of opportunity. It has given impulse to ambition. It has encouraged thrift and industry. It has

stimulated the spirit of enterprise. It has drawn idle capital from the stagnant pools into the moving streams of commerce. Our country is full of men whose great successes could never have been achieved without the aid of credit. In promoting the lending of money or property to those who are qualified to use it providently and successfully in business enterprises, credit has conferred untold blessings upon mankind. Nor have its benefits been confined wholly to the borrowers. Mr. Mill has well said that "if it were not for credit, many people who possess capital, but have no means of utilizing it themselves, would find it useless and profitless." Neither is the influence of credit confined wholly to the material side of life; credit, intelligently given and honestly and successfully used, has a marked influence upon the morals of a people. It begets a spirit of interdependence and a mutuality of confidence without which no commercial nation can permanently thrive.

There is a reverse side to this picture, however, which we must not overlook. Since credit giving cannot be reduced to an exact science, it is evident that the advantages of every credit system are to some extent counterbalanced by abuse and weaknesses. As this country leads the world in credit giving, so it is foremost in the abuses of its credit system. The liberality with which credit has here been extended, and the natural energy and enterprise of our people, have brought into prominence every evil inherent in any system.

Let us resort to a few concrete examples. We will suppose that a bank, in times of easy money, lends to its customers much more freely than is prudent. This is followed by overtrading on the part of the borrowers. At the first sign of danger a halt is called by the bank and then it is ascertained that its funds have been thinly spread over a wide a territory, and that the borrowers cannot pay until they can collect from their customers. This kind of credit giving has led many a bank to engage in forms of business not authorized by the banking laws; it has ruined many a business man by requiring him to make payments at the very time when it is utterly impossible for him to do so. Then there is the fierce competition of the business world under the influence of which many who have goods to sell take unwarranted chances in giving credit where sober judgment would unhesitatingly dictate a refusal. This in time embarrasses both the seller and the buyer and creates distrust where confidence should exist. Thus the process goes on in an ascending ratio until there arises the necessity for a general readjustment of relations, with the result, a commercial crisis. This tendency is very vividly portrayed by Mr. MacLeod in his work on "The Theory of Credit." "All commercial crises," says the author, "originate in the over-creation of credit and this is innate in the modern system of credit. When such multitudes of persons are trading on credit, it must inevitably happen that a considerable number will speculate unsuccessfully and create an excess of credit which cannot be redeemed by fair means. All excess of credit may be considered as so much virus or poison in the body commercial." It spreads and accumulates, through the various tricks and devices known to traders by which insolvency is concealed. It leads men to indulge in false appearances of prosperity. This develops extravagance and this in turn begets the fever for speculation which usually ends in actual fraud. Finally, when the

system becomes clogged with spurious paper and worthless obligations to such an extent that some kind of an operation is necessary, we have a commercial crisis or panic.

No one will deny that the credit system has been one of the great factors in the development of our resources and the expansion of our trade, but it is equally undeniable that it has also stimulated our growing national tendency to extravagance in living, and this I regard as a serious menace to the future well-being of our nation. Let us take another example. A man of good address and tact who begins business on a slender capital



RICHARD J. MORAWETZ
The Morawetz Co., Milwaukee, Wis.
Director

of \$10,000 soon finds himself doing a \$50,000 business. This means that he is borrowing capital to the extent of \$40,000, or four times as much as his assets will pay. He deems it necessary to live in a style befitting his apparent business standing, and he permits his family to indulge in luxuries that he cannot afford. In a country where there are no so-called classes such examples are contagious in the business world, and the result is general extravagance where there should be economy

and thrift. Strenuous as is the competition in business, the struggle in our methods of living is even worse. A few illustrations will suffice to point the moral. Ten years ago it was the rare privilege of the wealthy to go about in elegant carriages, drawn by handsome, richly caparisoned horses and driven by liveried coachmen. Today it is the exception to find a man in fairly good circumstances who does not own one or more automobiles, the initial cost and support of which are four or five fold greater than the expense of maintaining horses and carriages used to be. And the worst of it is that the automobile habit is no longer a luxury. It has become a national disease. This may be the most conspicuous evidence of our extravagance, but it is only one of many others which indicate the dangerously rapid speed at which we are going.

Nor are evils of the credit system confined to the business world. "The range of credit functions extends from the rarest luxuries to the actual necessities of life." Mr. Prendergast very wisely says: "It is a debatable question whether those who seek credit for the daily necessities of life are not more harmed than benefited by the credit which they secure." The average laborer, mechanic, clerk or other salaried employee who holds himself to cash payments will accommodate himself to his means. His rent and all other living expenses will be regulated according to his weekly or monthly income, and with a view to saving something for the proverbial and inevitable "rainy days." How easily this rule of prudent thrift is violated!

Let us further consider the familiar case of a young couple about to enter upon the serious business of housekeeping. They have \$100 of ready cash with which to begin. They go forth to buy house furnishing and enter an establishment where such things are sold on credit. Amidst the profusion of the glittering stock alluringly displayed, these young people are easily persuaded that their credit is good, and that the only right way to start is to get what is needed to make a respectable showing. Their visit ends in a purchase of five hundred dollars, of which four hundred dollars is a debt upon which interest must be paid either in periodical installment or in increased initial cost of the goods. The regular payments of principal must be made, and this means that other daily purchases, which should be made for cash, are obtained on credit. The net result is that many marriages which in ordinary conditions would be happy and prosperous, are dismal and disheartening failures. Is the picture overdrawn? Let us go a step further. A fairly prudent housewife in comfortable circumstances, receives from a business concern a communication containing the flattering suggestion that it would be a great pleasure to add her name to the list of those favored individuals who have accounts on the books. There comes a time when this wife needs a new gown, but illness in the family and other extraordinary expenditures make the time unpropitious. Then she remembers the tempting offer and goes into debt for an article of clothing in the hope that future savings will enable her to pay. Unexpected difficulties prevent the realization of this hope and the result is a gown worn out and the debt still wholly or partially unpaid. Further down in the scale of living there is the temptation to buy on the installment plan, clothing, pictures, jewelry and other things in the same category. The suggestion that one need pay only a dollar or two each month is very insinuating, and the boldness with which such trade is sought to be encouraged is well illustrated by the following advertisement: "To achieve success

you must look successful. Use your credit. Wear a diamond. Diamonds win hearts. Diamonds increase in value twenty per cent a year." But I must not dwell longer on the shadows of the picture, lest I may be suspected of pessimism and nothing is further from my thought. I have tried to illustrate the uses and abuses of our credit system for the purpose of showing that the system presents problems of great magnitude and delicacy which call for statesmanlike foresight, wisdom, firmness and co-operation on the part of the credit men of the country. The credit system is one of our economic institutions and it is here to stay. It must not be destroyed but must be improved, or it will destroy us.

It has been well said that "the basis of modern business is confidence," and it is important to determine upon what this confidence is based. The best authorities on the subject agree that character, capacity and capital are the three main elements that are to be considered in the confidence upon which commercial credit-giving is founded. The mere statement of this proposition is conclusive evidence that no credit system can ever be reduced to an exact science. Since that is impossible, it is obviously important that credit giving should be managed with skill, wisdom and prudence. The question naturally arises—Which of these three elements, character, capacity or capital, is the more important in determining whether a man shall have credit? Some writer has said that "a man with character, and ability and no money is an anomaly in the commercial world, and hence hardly worthy of attention." It is evident that this writer is not a credit man or he would not have expressed an opinion so contrary to common experience. When an applicant for credit has character, capacity and capital, the task of the credit man is comparatively simple, for in such a case, the amount of the credit is really the only thing as to which there can be any doubt. It should be equally simple when the applicant has merely capital, but has neither character nor ability. In the hands of such a man, capital may be very quickly dissipated or put to improper uses, and credit had better be denied. To some extent the same condition arises when a man has character but lacks capacity and capital. In such a case there is absent at least one of the elements necessary to success.

But these are not the real problems with which the credit man has to deal. In most cases there is an apparent combination of all of these elements in greater or less degree, and it is here that character and ability are of paramount importance. Once it is certain that a man has integrity and ability, the details of his financial statement becomes relatively incidental. The whole matter is well summarized in the following statement quoted by Mr. Prendergrast: "A successful merchant is one who grants credit with a liberality which insures the loyalty of his customers, and with a conservatism which guards against losses. To be a judge of credits means to be a judge not only of what constitutes a good risk based upon assets and liabilities but of human nature as well. A combination of small capital, good character and habits, business and otherwise, thrift, and industry, is a much better groundwork for a line of credit to a customer, than large capital, indifferent character and habits, and loose unbusinesslike methods. It goes without saying that adequate capital, unimpeachable integrity and strict business methods constitute the ideal risk."

Many of the evils from which the business of the country suffers are due less to the insufficiency of a circulating medium or the lack of capital than to unintelligent and improper credit giving and

the first great step toward correcting them is to create a healthy public sentiment in regard to all forms of credit. When it comes to be generally understood that it is not merely the legal right but the moral duty of business men to refuse credit for improper purposes, in excessive amount or to unworthy persons, we shall have taken a long step toward emancipation from the business evils of today. Once this idea is firmly established, we shall have better laws, more perfect methods, and a more universal demand for such innate business integrity that personal character may be accepted as a guarantee against acquiring credit by dishonest methods, and against the dishonest use of capital that belongs to others.

We need more stringent laws against the business pirates who incur debts which they do not intend to pay. We need more liberal laws for the relief of honest business misadventure. We need more perfect laws for the conservation of insolvent business estates. We need to raise the standards of credit, to reduce its dangers and increase its usefulness. These reforms can only be accomplished through the intelligent, persistent and patriotic co-operation of all the business men of the country. These are the high purposes for which you are organized. In the pursuit of these lofty ideals you have the sympathy and support of all right-minded men. In their realization you will confer inestimable benefits upon generations yet unborn. By your combined precept and example you will lift our business morality to a higher plane and help to inculcate among all our people those primary virtues without which no republic can permanently prosper. (Great applause.)

J. J. Dolphin, Buffalo—On behalf of the Buffalo Association of Credit Men, the city of Buffalo, the largest city in the state except New York, the gateway of the largest inland commerce of the world, with the second largest association of the National Association in New York State, believing that it would not be presumptuous on their part to crave of this Association the honor to be represented upon the board of directors, and with that purpose in view, and with that good feeling which we had in our hearts for our candidate, we went about the work. We have done a very considerable work in the matter and many friends have given us great encouragement. Furthering our purpose, we persuaded a large delegation from Buffalo, our wives and our sweethearts, to come with us to see if we could not prevail upon this convention to honor us. But since arriving in the beautiful flower city, and seeing the kind and character of entertainment offered to us, and believing that we should not interfere at this time, we are going to state that we will not ask now, but will wait upon the convention of a future day to honor us, and we will not present the candidate which we had intended to, our president, Mr. Dwyer. I thank you.

President Salisbury—I have a short announcement to make. By the kindness of Mr. Murphy, who had in his possession one of the original programs of the meeting held in Toledo in 1896, he has asked and been accorded by the newspapers the space sufficient to publish a fac simile, which will appear in the three afternoon papers. I am sure you would all like to see the original, but that will be impossible, and it was with that thought in mind that Mr. Murphy so kindly produced this and gave it to the newspapers for their publication.

S. F. Henry, Burlington, Vt.—I move that the balance of the program for this session be postponed till tomorrow morning. Seconded.

President Salisbury—With the permission of the convention that will be the order, Mr. Henry.

Freas Brown Snyder, Philadelphia—In justice to our distinguished speaker of yesterday, I beg leave to correct an impression which a headline in a morning newspaper may have created. As I interpret the remarks of the Hon. Carter Glass, he did not predict an end to those commercial depressions which are predicated upon natural causes, or human nature; but he did say that under the Federal Reserve Act the currency panics so-called, which have marked only American business, would come to an end. (Applause.)

Secretary Tregoe—Tomorrow morning we will be visited by a delegation of Canadian credit men. The flags are displayed in their honor. They are coming from Toronto to meet you, at our invitation, and they will represent Canadian trade from Vancouver, as far east as St. John, New Brunswick. There is a strong disposition upon the part of these men to co-operate with us in the clearance of credits and in a mutual conference upon credit education. We want you to be here and greet them.

We are to have also tomorrow an address by Dr. Van Hise, the leading economist of the United States, president of the University of Wisconsin. He comes as our guest. We ask you all to be here with that good spirit which you have displayed this morning.

A recess was here taken until Thursday morning, June 25, 1914, 9.30 A. M.

THIRD DAY

Thursday, June 25, 1914

MORNING SESSION

President Salisbury called to order the morning session of the third day of the convention, at 9.35 o'clock A. M.

The invocation was pronounced by Rabbi Max Landsberg, pastor of the Berith Kodech Congregation of Rochester.

President Salisbury—Mr. Kingsbury desires to say a few words at this time. (Applause.) Keep as quiet as possible for Mr. Kingsbury's voice is beginning to show signs of wear. (Laughter and applause.)

Mr. Kingsbury—I suppose I ought to tell you a story this morning, but when I was a little fellow my mother told me that it was not nice to tell stories, that I ought always to tell the truth. (Laughter.) So I am just going to make one announcement that I am requested to make. The Onion Club of the New Orleans delegation will meet at 6 P. M. in the lobby of the Hayward Hotel. (Laughter and applause.)

President Salisbury—The first number on our program this morning is the report of the Committee on Credit Co-operation, H. J. Thomas, Denver, chairman. (Applause.)

Mr. Thomas—I presume, on account of the exaggerated and embellished reports that have preceded me from our mining camps, some of you might think that a Coloradoan must have lots of nerve to come east of the Mississippi River at this time, owing to the murderous attack on the innocent of the Colorado mining district. Had I not been born in Philadelphia, perhaps I would not have had the nerve to appear before you this morning. (Applause.) Incidentally I might state that I was the only one from Colorado who had the nerve to come to this convention. (Applause.)

The report of the Committee on Credit Co-operation was then read by Mr. Thomas, as follows:

Report of the Committee on Credit Co-operation

To the Officers and Members of the National Association of Credit Men.

GENTLEMEN:—

Your Committee on Credit Co-operation has had but little part in the development of credit exchange bureaus and the interchange of information between them, for this work has been the subject of the careful and persistent activities of your Special Committee on Credit Exchange Bureaus. The report of this special committee will give to the convention explicit information upon what has been accomplished during the year in promoting credit exchange bureaus and systems of interchanging information among them.

We would merely mention in passing that the bureaus are growing into a very important department of associational work, and when interchanging with one another on economic and expeditious plans should afford one of the very greatest protections possible in the clearance of credit risks.

Our committee has had under observation the interchange of ledger information between members of the Association direct, without the ma-

chinery of the bureau, a development in which our Association has played so prominent a part and which has proved one of the credit man's greatest aids in determining upon credit risks.

There should be eliminated every practice which might bring this direct interchange under criticism or unnecessarily burden it, and this indicates the task of the National Association of Credit Men.

It is clear that all credit departments are not placing the stress upon this system that it deserves, and doing their part in safeguarding it from abuse.

Your committee urges the exercise of every means of educating business men in the defense of the interchange of ledger experiences and the reprobation of every practice or unfavorable attitude or temperament that would tend to prevent the growth of this system along sound, honest and accurate lines.

Ledger experiences, as an aid in checking credits, must be accurate and honest. The absence of these qualities not only injures the system, but may directly injure the recipient of the information.

The rules adopted by your committee of two years ago for the governance of this interchange between members have received more or less respect and regard and are advanced as the standard for maintaining honesty and accuracy in the interchange system.

We are going to present several practices discovered during the year which should be discontinued, else the system will have to carry an unnecessary burden.

First: The failure of an inquiring house to give its experience with the inquiry or to state that it was made upon a first order, the amount of which is stated.

Reciprocity is a fundamental principle in a safe and serviceable interchange system, and whether or not the standard inquiry form adopted and recommended by the National Association is used, this necessary feature should not be overlooked in any instance.

Your committee has consistently advised against the furnishing of information when an inquiry does not divulge the experience of the inquirer or indicate that the inquiry is made upon a first order with the amount of the order.

Second: The practice in some credit departments of sending promiscuous inquiries without knowing or having reason to believe that the houses inquired of have sold the party under inquiry.

This has been so prominent a practice with some departments that mercantile houses have refused to affiliate with the National Association, believing that the affiliation would compel an explicit treatment of all such inquiries and to do this would place a severe burden upon their credit department.

Promiscuous inquiries are bad in the opinion of your committee. No inquiry should be made except upon direct reference or knowledge through mercantile or trade report that the house inquired of has had experience with the merchant under inquiry.

Third: Interchange should be strictly between credit departments. It is the practice of some houses to have inquiries mailed by their salesmen, a practice which transgresses the fundamental rules of reciprocal interchange.

We have not hesitated to advise every mercantile house to decline information or even to give attention to inquiries that have been sent them

from salesmen on the road. This, in the opinion of your committee, is not the salesman's work, and is a direct hurt to the interchange system.

All inquiries should be between credit departments, no matter how far distant the inquirer and the inquired of may be.

Fourth: It has been charged that information furnished in perfect confidence to credit departments is, in instances, divulged to salesmen who may pass it on to the merchant concerned. Ledger information should be looked upon as one of the greatest confidences reposed in credit departments and no leak of any nature should be allowed whereby the



H. J. THOMAS
Geo. Tritch Hardware Co., Denver, Col.
Chairman, Credit Co-operation Committee

information received in the bonds of confidence may be divulged to the merchant concerned or used to the disadvantage of the house which gave the information and looked for its confidential treatment.

It is our duty to relieve the interchange system from practices that are affecting its development, such as the four specifically mentioned, or any practice that is not reasonable nor representative of a keen appreciation of the value of this system.

We heartily recommend to all credit departments, especially those represented in our Association, frankness in interchange, a belief in one another, and a strong individual attitude for the development of the interchange system upon lines that will be dependable and substantially assist in the proper handling of credit risks.

Every effort for the development of credit exchange bureaus and their interchange has the unreserved encouragement and good wishes of your committee which recommends similar attitude upon the part of the convention.

The committee begs to offer the following resolutions:

I

"Resolved, By the National Association of Credit Men in convention assembled, that it reaffirms its belief in the indispensable need of an honest and accurate interchange of ledger experiences for the safe checking of orders and the reduction of the bad debt waste.

II

"Resolved, That the members of the National Association of Credit Men be urged to practise reciprocal interchange, to be frank in the interchange of ledger experiences, and to treat all information received as confidential and for use alone in the credit department.

III

"Resolved, That every available means be used to eliminate those practices which unfavorably affect the interchange system, such as the making of promiscuous inquiries, inquiries by salesmen, and all other practices which do not reflect the highest standards in credit interchange.

IV

"Resolved, By the National Association of Credit Men in convention assembled, that it recognizes the growing importance of credit exchange bureaus as organized and operated by local associations and the value of interchange among the bureaus, and urges that every encouragement be offered for the development of the bureau system to its highest efficiency."

Respectfully submitted,

C. R. ARNOULT, JR.,
M. M. BENNETT,
W. H. BROWDER,
MAX COHN,
JAS. H. COWAN,
T. A. DUKE,
JULIUS STEINMEIER,
J. T. YOUNG,
W. A. COLLINS,
H. J. THOMAS, *Chairman.*

President Salisbury—The open parliament on the report will be led by D. L. Sawyer, of Milwaukee. (Applause.)

Mr. Sawyer—As chairman of the Special Committee on Credit Exchange Bureaus my brief remarks shall be directed upon their development as an important department of our associational work and their interchange with one another.

At a conference at Niagara Falls in the summer of 1912 of the small committee appointed by President Salisbury, there was laid the foundation of a national interchange between our Credit Exchange Bureaus and a tentative plan developed that has been modified under demonstration, but in the main very closely adhered to.

It was then realized for the first time perhaps in our associational history than an interchange between Credit Exchange Bureaus would perform a very helpful and protective function in safely clearing credit risks. It was believed that this national interchange could be best and most systematically developed through a unit or zone system, and the nation was divided into seven zones.

At the Cincinnati convention and upon the request of several bureaus located in the western zone, a new zone was added, and of the eight provided for there are six organized and now more or less actively operating. These are designated as the North Atlantic, South Atlantic, Central, Gulf, Western and Central Western. The North Pacific and the South Pacific have not yet been organized.

Following the Niagara Falls conference there was held at the Cincinnati convention a brief conference of managers of Credit Exchange Bureaus, and a more extensive and profitable conference in Chicago on January 14th last, at which the chairman of your special committee presided.

Unquestionably the value and protection from systematic credit exchange bureau work is growing upon the appreciation of our membership and our best efforts must be devoted to economy and accuracy in the operation of the individual bureaus and their co-ordination with one another in an expeditious and inexpensive interchange.

During the year just closing quite a number of the associations has considered the organization and operation of Credit Exchange Bureaus and several were added as the result of this consideration and at the present time other local associations are seriously contemplating the organization of a Credit Exchange Bureau.

Each conference of managers of Credit Exchange Bureaus has, by a large majority, not unanimously, indicated its belief in the tabulating system of interchange, and during the year several of the bureaus formerly operated upon the card reference system changed to the tabulating system. We would mention especially the following bureaus as having made such a change during the year: Cincinnati, Louisville, Youngstown, Milwaukee, Atlanta, Memphis, St. Louis.

The card reference system is strongly in favor in the following cities: Pittsburgh, Baltimore, Boston.

We cannot affirm too deeply our growing belief that if developed along systematic, sound and economic lines Credit Exchange Bureaus will, within a few years, prove a most helpful and protective feature in reducing the bad debt waste, and if with the development of each individual Credit Exchange Bureau there is gradually brought about an interchange between bureaus in each zone and bureaus in the different zones on a reciprocal or an approximately reciprocal basis, so that the clearing of a credit risk may be expeditious and without excess cost, we shall have worked out a system greater than which has never been conceived by our Association as an arm of defense for the credit department.

We heartily recommend that conferences between managers of Credit Exchange Bureaus and supervising committees be encouraged,

that the board of the National Association may be brought to recognize the value of this department and lend to its development every reasonable and proper aid and that the entire membership assist its growth through reasonable support and careful observation. (Applause.)

President Salisbury—The open parliament on this report will be continued by A. F. Maxwell, of New York. (Applause.)

Mr. Maxwell—It would be ill-becoming of me, after listening to that splendid address yesterday by Mr. O'Neill, whom I deem it a privilege to count as a friend, if I should encroach upon your time this morning. Therefore, "we will adhere strictly to terms."

During the construction of the Equitable Building, it has been my misfortune to be obliged to assist in passing on loans for the purchase of material down to the unromantic rivet; but the other morning, as I saw that great steel frame up thirty-six stories, upon which depends an investment of probably \$22,000,000, it likened itself in my mind to this Association and the work as brought out in this report, for we men gathered here constitute the framework about which this entire organization is built and the very welding material which brings us together is the co-operation. (Applause.)

Now, the word "co-operation" has been so frequently used to typify the spirit and principles fostered by our Association, that its meaning and source is becoming lost. To the pioneers of this work, the real growth and development and change of sentiment from an antagonistic to the "work together" era is a reality, not a theory.

Permit me in these few moments to emphasize especially the relationship of the banks to the mercantile houses. Through the splendid efforts of the Association, the barrier between merchandise credit men has been eliminated, but there still exists, I regret to say, a feeling on the part of some that it is a waste of postage and time to send an inquiry to a bank, for it is argued that it is to the advantage of a customer's depository to report favorably, augmenting as much as possible the customer's credit standing with present and possible merchandise creditors, while the institution not favored with the account may be so very conservative and non-committal as to cause serious doubts to arise in the minds of the credit man receiving the reply. I grant that such conditions may have existed, but today the metropolitan commercial banks are operating well-organized commercial departments that are reciprocating the splendid information received from the merchandise credit men, and I am sure that I voice the sentiment of all bank credit men when I say that it is our earnest desire and purpose to strengthen this reciprocal relationship.

There is another feature deserving of special attention, that of over-investigation. Last fall persistent rumors were circulated concerning some enterprises, due to frequent inquiries received by New York city banks and commercial houses. An effort was made to trace the cause of this flood of inquiries. In one case it was found that an institution in a far western city had sent out eighteen inquiries to New York city banks on one name alone, and possibly a great many of the commercial houses also received inquiries. Now seventeen of these banks could give no actual experience and simply consulted the firm's depository, basing their reply on information received from that source. The recipient of these inquiries got the same information from the same source through eighteen letters, causing unnec-

essary inquiries and over-investigation. These two unsatisfactory conditions to a certain extent can be largely overcome by a little careful and thoughtful consideration from us all. (Applause.)

Secretary Tregoe—We do not expect to be under such pressure as we were yesterday; therefore, let everybody say anything he may have to say, in order to inject a little ginger into the discussion of our reports.

President Salisbury—I see that Miss Miller, of Kansas City, our lady credit man, is here. (Applause.)

M. L. Orear, Kansas City—I would like to announce to the convention that Miss Miller was last week admitted to the Missouri bar. She took the bar examinations and was admitted with flying colors. (Applause.)

H. R. Bridgman, Buffalo—Buffalo has been making promiscuous inquiries and duplication of inquiries. We have had to do it to get information for our members. We figure, too, that in so doing we will start up a sentiment toward the interchange bureaus all through the United States. We have sent promiscuous inquiries into various cities and have since heard that as a result agitation for interchange bureaus has been started. We have sent promiscuous inquiries to places where there were no interchange bureaus, no members of the Association at all, and they are joining the Association. I would like to know if the resolution offered by the committee touching promiscuous inquiries would cut out this form of work? We are getting a lot of information that way. It costs money, but it is starting sentiment toward interchange of ledger information.

President Salisbury—if the information inquired for is through a bureau and upon the first order or ledger account, there certainly can be no objections to the inquiries being made through bureaus to any extent. That would not mean a duplication, as I look at it, of inquiries. Through the different bureaus it would be a means of securing all the information on the ledgers of those doing business with the person inquired upon in that district. I do not think this resolution would impair your right to make such inquiries in the least. Are you ready for the question?

At this point the resolutions offered by the Committee on Credit Co-operation were read by the secretary and each in order unanimously adopted. On motion duly made and seconded, the report and resolutions as a whole were adopted and ordered a part of the minutes.

K. T. Green, St. Joseph—I wish to offer the following resolution:

“WHEREAS, The interchange feature of the Association has developed into one of the most important features of our work; and

“WHEREAS, It is of the utmost importance that this work be further encouraged and developed; therefore be it

“Resolved, That a new committee, to be known as the Interchange Bureau Committee, be appointed and continued as a committee of the Association.” (Applause.)

Secretary Tregoe—I would inform Mr. Green, if it would meet his purpose, that there is a special committee on credit exchange bureaus, composed of D. L. Sawyer, chairman, together with the chairmen of the various zones, and it is the purpose of the administration to continue that committee. There is no desire to discontinue it, because

it is doing good work. It would seem, therefore, that this resolution simply asks for something you already have.

President Salisbury—Does the existing arrangement satisfy Mr. Green?

Mr. Green—The work in this direction is so heavy, I think interchange bureau work should be specialized.

Secretary Tregoe—Mr. Sawyer's committee has no responsibility in the world except that pertaining to the Credit Exchange Bureaus. It is a special committee, could not be a standing committee, because that step would require a constitutional amendment, and such amendment could not be acted upon until one year from this period.

Mr. Green—I have no objection to that, Mr. Tregoe. I just want to get the results. I wanted to have this great work handled in a committee especially appointed for this task.

Mr. Tregoe—if the committee wants increased powers or its powers better defined, I am sure the board of directors will be delighted to do anything the committee asks.

Erb Kreider, Kansas City—It seems to me that the work of the interchange bureaus has reached such proportions that it should be given the attention of a committee. In other words, divorce it from the work of the Credit Co-operation Committee.

President Salisbury—There is no question before us. I hear no second to the resolution offered. I understand it has been withdrawn. It is our pleasure at this time to hear an address by Dr. Charles R. Van Hise, the president of the University of Wisconsin, who will address us upon "The Nation's Business." I take exceedingly great pleasure in introducing Dr. Van Hise.

(Dr. Van Hise was greeted with the Wisconsin University yell, and great applause.)

"The Nation's Business"

ADDRESS BY DR. CHAS. R. VAN HISE,
President of the University of Wisconsin.

*Mr. President, Gentlemen, and Ladies of the Credit Men's Association,
and Men and Women from Wisconsin:*

It gave me very great pleasure to accept the invitation of the secretary of this Association to speak upon the question of "The Nation's Business" at this time, since today there are pending in Congress bills of great importance relating to your business, which, when acted upon, are likely to affect the business of the country in many ways.

There are various bills before Congress at this time, all of which, of course, I cannot discuss within the time allotted to me. Therefore, I shall speak especially of those that relate to trust legislation and problems which have a close connection with the trusts.

In the discussions which have gone on in this country relating to business, and particularly big business, it has been assumed that big business, magnitude, trusts, and monopoly, are synonymous terms, and because of that assumption various erroneous conclusions have been drawn.

There is a widespread disbelief in monopoly. There is a widespread conviction that monopoly should be destroyed. Therefore if

the speaker, who is talking upon the business of the country, is able to assume that all large business affairs and all organizations of great size, are monopolies, it is easy to reach the conclusion that the solution is through disintegration. But if, on the other hand, there are relatively few monopolies, and only a small part of the business of the country is monopolistic, then it does not follow that they should be destroyed.

As a matter of fact, while there have been monopolies in certain directions, there are relatively few of the businesses of the country that are in the hands of monopolies, in the sense that a single organization controls them, and, therefore, the theory that reaches the conclusion that big business should be destroyed because it is a monopoly, does not touch the major question which is now before us.

There is a general agreement that unfair practices in business should be prohibited and there is a general agreement that competition should be retained. We would all agree, doubtless, that monopoly should be prohibited, but we must not conclude from these premises that the present campaign of disintegration of big business is necessary or advantageous.

It is said by those very high in authority that a business soon gets so large that it reaches the magnitude which gives the highest efficiency. At the present time the Secretary of Commerce makes this statement: A large number of these organizations which are engaged in the industries of the country have surpassed the magnitude which gives efficiency. This statement is again repeated by Mr. Brandeis. I, upon the other side, may assert that very few businesses have become so large as to surpass the magnitude which gives efficiency, and we will be just where we were before, because we have the assertion of two men on one side, and it is easy to get the assertion of two other men upon the other side. The fact is, that at the present moment we do not know the relation between magnitude and efficiency, except in the case of a single industry.

The former Commissioner of Corporations, Herbert Knox Smith, made an investigation of the United States Steel Corporation and the other "Big Four," as compared with the small manufacturers of iron, and the result of that investigation showed conclusively that for pig iron the advantage is with the big organizations to the extent of about \$2.50 a ton, and for steel billets, about \$5 a ton. We know, therefore, that, so far as steel is concerned, a hundred million dollar combination is more efficient than a ten million dollar combination. We do not know, however, whether a hundred million dollar combination is less efficient or more efficient than a thousand million dollar corporation, because Herbert Knox Smith did not carry through his investigation to the end, and compared the cost of production of the United States Steel Corporation with the other "Big Four." This should be done. Preliminary studies along this line have been made, and it appears probable and indeed it is so cited, in the report of the Stanley Committee, that the United States Steel Corporation is more efficient than the "Big Four."

If this conclusion is correct, certainly in the steel-making business the magnitude has not been surpassed which gives the highest efficiency. And if it is true for steel, there is no reason to believe that a similar situation does not obtain for other industries. Consequently, those who assert that the major lines of business of the country have reached a magnitude which surpasses efficiency, have not one fact upon which to rest their conclusions in the way of a formal investigation which takes all the factors into account, as is necessary for a sound economic conclusion.

This question is fundamental, because upon it should rest the line of progress. If these big businesses have surpassed the magnitude which gives efficiency, it may be that this program of disintegration is wise, because they should, in that case, be reduced to the magnitude which gives the highest efficiency. If, upon the other hand, these organizations have not, up to the present time, surpassed the magnitude which gives efficiency, then they should not be destroyed, for we, as a people, should have advantage of their efficiency. The problem in that case is a wholly different problem from what it would be in the other case. The problem



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in that case is not dissolution, it is not disintegration, but is a fair distribution of the profits. It may well be that we should not have a situation in which an organization like the United States Steel Corporation shall be able to put upon the market five hundred million dollars of *aqua pura*, and in ten years, by putting back into the business from profits fifty million dollars a year, thus making that water substance. No one is denying that proposition. But we should have the advantage of the efficiency of the

organization and devise some means by which there shall be a fair distribution of the profits in that case, between the laborers, those who are operating the business and the public which uses the products.

Therefore, the first great step in the scientific treatment of this question of big business is to have an investigation, not simply of one business, but of all businesses, of the relation of magnitude to efficiency, and then when we have ascertained the relation between magnitude and efficiency, we shall know whether or not this campaign of disintegration is justifiable, and whether or not our solution shall run along another line.

I suppose there are very few who would believe that we should return to the condition of the old grist mill; we all would agree that a certain degree of magnitude is necessary. Now if a certain degree of magnitude is necessary, then there is the inevitable co-operation.

Here again, there is great confusion in the public thought. It is assumed that if we could only get this great organization cut up into two or three or more parts, then they would act independently. Former Attorney-General Wickersham, has said that the tendency for competition is so strong that if we can only cut up these organizations into their smaller units, they will certainly compete. But I tell you the tendency towards co-operation is so much stronger in this twentieth century than the tendency toward competition, that co-operation will exist everywhere. (Applause.)

What are the facts? You gentlemen are co-operating in your lines; every other group of men in every other line of business in the country is co-operating, and co-operating perfectly. It does not make a particle of difference whether it is a big place or a small place, whether the industry is subdivided or concentrated, there is co-operation. You come from all parts of the country. I ask you, does it make a particle of difference? Can any one of you mention a town in the United States in which it makes a particle of difference from which man in that town you buy your ice; or does it make any difference from which dealer you buy your anthracite, the antithesis of ice. Perfect co-operation. I do not hesitate to say, without knowledge, that there is perfect co-operation in every community from which you come in regard to these two articles, and in every standard article. This is a situation that exists from the country crossroad to the great metropolis; therefore, it is futile for the former attorney-general to assert that competition will be restored along the old lines. We know that the farmers even disprove his contention; he is wholly wrong; he is not aware of the facts.

In the state of Wisconsin, the state of the somewhat progressive Senator LaFollette, we raise cranberries in small patches of two or three or five or ten acres. In the state of Massachusetts, which, I believe, is the state of the somewhat conservative Senator Lodge, they also raise cranberries, especially on Cape Cod; and a third state does its share in producing the cranberries of the country, the state of New Jersey, which, I believe, is the state of Woodrow Wilson. (Applause.) Could you imagine any line of business in which co-operation would be more difficult—three widely separated states with the producers each producing a small quantity of the product, yet 90 per cent of the cranberries raised in the United States are sold through one selling agency on Hudson Street, New York; and when you buy cranberries in Milwaukee, very likely, if you traced their journeyings, you would find they went from Wisconsin to New York City or some other distributing point, and then back to Milwaukee. This is but one illustration, of which I could give a

score showing that co-operation everywhere occurs. And why is this? Because there is an absolutely new situation in this twentieth century, a situation such as never has existed anywhere in the world before.

This new condition of affairs is dependent upon cheap and rapid transportation and instantaneous communication. So long as transportation was dear, and communication slow, each community, each state, each district was largely self-sufficient. It is true that a few of the later and more expensive articles came from the outside, but the standard articles which were necessary for life were created within the district. Thus the iron forges were found scattered all over the mountains of the South; down in Tennessee they have a little forge which manufactures bar iron, which made the horseshoe nails in that particular community. And that which was true of iron, was true in regard to everything else. Just as soon, however, as transportation had been developed so that it was easy to transport articles cheaply, the great economic advantages of concentration came in and there began a move to the various centers of the different industries. Thus one city developed one industry; another city another industry, or a few cities took control of one industry. For instance, Pittsburgh and Chicago became the great centers for iron and steel for the entire United States and others are subordinate to them. The ore comes to those two districts from Lake Superior and the coal comes from Pennsylvania, and they converge at these great centers. Why? Because of the enormous advantages that come from the efficiency of a great plant like the one at Gary, and also the great advantages which come from having a large amount of skilled labor in a particular industry in one community. It is wholly futile to talk of again subdividing this industry.

In relation to the business side of the matter, the telephone and telegraph come in, affording instantaneous communication which assists in this concentration process.

When we come to the question of underwriting bonds for a public utility in the southwestern part of Wisconsin, an interurban railway we will say, do the local bankers of that community handle it, or do they go to Milwaukee or Chicago to get their bonds underwritten? In Milwaukee or Chicago, before they underwrite those bonds do they not call up New York by telephone and find out what the National City Bank, a Morgan institution, thinks about it? We know what is done. The entire money situation co-operates with regard to every important underwriting in the United States. There is perfect co-operation yet no record. It is all done by telephone conversation. If those money centers say, over the telephone, that, just at the present time we are not regarding it as advantageous to extend interurban railroads, interurban railroads are not extended and we all know it. (Laughter.)

Therefore we have not a sporadic situation; we have not an exceptional situation, which can be handled by picking out this organization or that organization and prosecuting them. We have an irresistible tendency for co-operation in business in every line, from the cross-roads to the great metropolis. I do not hesitate to assert that there is not an important line of business in the country in which the anti-trust laws are not violated in scores and hundreds of cases every day. If we were to prosecute all the violations of the anti-trust law, we would have to multiply the courts by tenfold and give them that job exclusively, and then they would not get through in a hundred years, because new methods of co-operation would spring up faster than the old ones could be prosecuted for and broken down.

When the question of the separation of America from Great Britain came up in the English Parliament, Edmund Burke said: "I do not know the manner of drawing up an indictment against a whole people." Likewise I say if we are to enforce these anti-trust laws in their literal sense, it will be necessary to draw up an indictment against a whole people. Consequently, this program of disintegration is futile and inefficient in accomplishing results.

A number of organizations have been disintegrated and what has been the result? By the results we should test the value of the process. Take the case of Standard Oil. Before that organization was attacked and the organization disintegrated, the stocks were selling at six or seven hundred, or thereabouts. The stocks dropped a little during the time of disintegration, but after they were separated the stocks immediately began to go up; and now in this year of 1914 the stocks range from \$1,300 to \$1,400 per share. The same number of shares for the Standard Oil Co. alone, and twenty-eight companies separated from it, and the stocks in their pockets and getting additional dividends. (Laughter and applause.)

If I were fortunate enough to be an owner of Standard Oil stock, I could understand where the advantage came in from disintegration. (Laughter.) But being a person who wishes to buy an occasional gallon of gasoline or kerosene and having seen these prices go soaring ever since the disintegration until these recent very great discoveries in Oklahoma, I have been wondering just where I was benefited by the disintegration. (Laughter and applause.)

I see that some of you are smoking your cigars and cigarettes. Doubtless they are your favorite brands. I have no question that you are getting them a great deal cheaper since the American Tobacco Co. was destroyed. (Laughter and applause.) If you are not getting them cheaper and if you do not happen to be an owner of the stock of the American Tobacco Co., "where do you come in?" (Laughter.)

In short, I have examined the prices of every standard article of every company which has been disintegrated, from the time of its disintegration to the present time, and in every case the price has been an ascending one. Not only so, but the average price of these articles of the disintegrated companies has been greater than the average advance of the index figure. And why? They co-operate perfectly. The cost of the business is increased because of the necessity of increased sales agencies and expense of the business, such as advertising; and so they simply have to decide to take a little more out of the public to get the old profits or a little better.

A few years ago we had an anthracite coal strike. The operators could not afford to pay the wages asked by the laborers. A commission was appointed by the President as a result of his intervention and the commissioners gave the laborers a certain advance of prices. What happened? In the meantime anthracite coal had gone up because of a shortage; it came down a little but not to the old figures; and the profits of the anthracite combination were greater that year than any previous year and they have been greater ever since.

In short, as to all industrial combinations, this method of handling the problem has been shown to be futile.

Is it not a curious fact that the politicians, the papers and the magazines have never discussed this aspect of the matter? Have you seen an

article in any of the papers which considers this subject? If you have, you have been more fortunate than I, and I have been searching earnestly.

People say that these organizations have gotten to be so big that they must be disintegrated, and they blindly strike, without asking a question as to wherein they are to be benefited. Now I ask you, the credit men of the country, and I ask you to ask your communities when you go back, to show wherein the public has been benefited by the dissolution of any of these corporations.

It is a good thing, perhaps, to knock a man down if you can go through his pockets; but if you knock him down and he goes through your pockets, it is not so advantageous. (Laughter and applause.)

What is true in regard to the industries is even more true in relation to the public utilities. We have had the dissolution of the Southern Pacific and Union Pacific Railways; and it has been regarded as a great gain. The people of California know it is not a gain and they are petitioning that it shall not be carried through. But it is going through. In what respect are the people of California or of the West, to gain by the dissolution of the Southern Pacific and Union Pacific Railways? Is it proposed to lower the rates that are charged for passengers and freight? This has not been suggested so far as I have heard. What then will happen? If the rates are not to be lowered, then there will be simply less perfect co-operation. The freight trains will not be through freight trains but will be set up at one junction and broken up at another. Deliveries of freight will be slower and there will be less co-operation in passenger business, which means that business men will be getting less perfect service by the separation than they had before.

Does any one suppose that it is an advantage to the state of New York to disintegrate the New York Central system or the Pennsylvania system into the thirty or forty or sixty units of which they were composed? Some of you men are old enough to remember the old days in which we had one road running from Rochester to Buffalo, and another from Rochester to Syracuse, and so on, and when a man came to a junction point he had to wait for two or three or four hours, or until the next day, and went on at that time. And the freight was held up at every junction point. There was loss of time and lack of efficiency everywhere. Each railroad had to have its own cars and a larger amount of rolling stock than is necessary for the joint business, and its operation was more inefficient and expensive. Consequently, when there has been a consolidation of these companies into great organizations, the public has gained in every way. For the administration to hold up with pride the fact that they are disintegrating more public utility organizations is, I say, worse than futile.

Has there been a single word of explanation or an attempt to tell why or how the public is to be benefited by the dissolution of these organizations? Not an article. Recently, we have had the separation of the Western Union Telegraph Co. and the American Telephone & Telegraph Co. In this case the president of the companies was so highly courteous as to consent to the separation in advance, and the President of the United States wrote him a letter telling him how good he was. (Laughter.) Wherein are you to be benefited in your business, in which you want quick and cheap communication, by the dissolution of the American Telephone & Telegraph Co.? It was not until after the alliance of those two companies that they introduced the day letter, the night letter, the cable letter and the week-end cable letter, and star offices by which there could

be a message transmitted partly by telephone and partly by telegraph and other improvements. These great changes, I say, which are of immeasurable importance to you in your business, did not come until after the alliance. Will they continue to advance with separation? I do not know. But they certainly will not advance so rapidly, because of the necessity of the increased expense. At the present time one small office will frequently do the work both of the telephone and the telegraph company, and at the same time one set of copper wires is carrying your telephone messages it will carry the messages of four other of your friends who wish to communicate by telegraph, if they wish to co-operate. In other words, it will be necessary to maintain independent poles, independent wires, independent offices to a large extent, and thus the business of the country for communication is increased, and, of necessity, the charges will be higher. It is worse than futile merely to disintegrate a corporation of that kind in which the co-operation is such a great advantage to all of us.

If my statement is not adequate, it so happened that about two weeks after the President of the United States wrote the commendatory letter I referred to, a committee consisting of the Assistant Postmaster-General and some experts, appointed to report upon the telephone and telegraph, recommended to the Postmaster-General, and the Postmaster-General communicated the recommendation to Congress, that the telephones and telegraphs of the country be acquired as a government monopoly, and operated jointly, because of the great efficiency of their co-operation. (Laughter.) Either the President is wrong, or the post-office department is wrong. Both cannot be right. Therefore, I suggest to you that when you go out in various parts of the country and hear politicians and men of all lines of business speaking with great glee of the disintegration of these corporations, and especially these public utilities corporations, just ask them to answer the question, where the business men comes in, before you join in the mirth. (Laughter and applause.)

Taking these premises, my solution of the great trust question is along a different line from that of disintegration. My proposal is neither regulated competition nor regulated monopoly (a favorite antithetical statement of many), but retention of competition, prohibition of monopoly, permission for co-operation, and regulation of the latter. (Applause.) For here we have a true alternative, not a false one, such as that regarding regulation of competition and regulation of monopoly. If the old practices and the old advantages can be retained; if there can be co-operation along the line of unfair practices, as there has been too frequently in the past; and if there can be put upon the market any amount of *aqua pura* which is later made substance, at the expense of the public, then we may be sure, under those circumstances, that this campaign of destruction will go on. The people are hit by what has happened, and, not understanding conditions, not knowing the political economy, they naturally blindly strike at the thing which has thus put them at a disadvantage or has injured them. Therefore, we must recognize and you shall be obliged to recognize, that if you are to continue co-operation along these lines, it will be necessary for you to submit to regulation because only by regulation can the public be protected.

If we can have the efficiency of magnitude, can have the great efficiency of co-operation and all of its advantages and the public can be fairly protected, there will be no necessity for a continuance of this disintegration.

I will give you an illustration which proves my point: So long as the railroads were co-operating unfairly; so long as they were giving rebates and drawbacks; so long as they were discriminating in rates; so long as they were doing various things which were contrary to law, in so far as they were charging unreasonable prices, there was this same blind cry against the railroads. But when there were created state and interstate commerce commissions which regulated these utilities, which prohibited and enforced the law against these unfair practices (of course they were unlawful before), and when the rates were made reasonable, we forgot the fact that the railroads were also violators of the Sherman Act.

Has the Attorney-General, or any one else, proposed to prosecute the Southern Pacific, the Union Pacific, the New York Central, or the Pennsylvania system, or any other system, because they charge the same rates? And yet, they are violators of the Sherman law just the same. Does it happen by act of providence that these prices are exactly the same on every line of freight from Rochester to Chicago or New York? We know it is not a providential act, but we do not know just how it happened. Yet we know something about how it does sometimes happen. Many men tell me things about this, as man to man. One said: "This is the way we do it in our business; we get together in a room and talk over the situation, and a consensus of opinion develops, and finally one man gets up and says, 'I don't know what you fellows are going to do, but I am going to do so and so.'" (Laughter.) And the other fellows go away and do likewise. (Laughter and applause.)

It is not easy to prove conspiracy in restraint of trade under these circumstances. Instead of being done by documents signed and put in safes, as it used to be done a few years ago, men co-operate by the sort of consensus of opinion which I have cited.

Why is there no talk on the part of the Attorney-General of prosecuting these railroads for violating the anti-trust act in the fixing of rates? Because we have reasonable rates for our public utilities, and, therefore, no one is interested any more in the question of prosecuting for commission in fixing rates. Indeed, we know that it is a great advantage to have uniform rates and we recognize that it is an advantage to know that all roads are furnishing the same rates between two points, so that the business is upon a perfectly fair plane and every man is sure his competitor is getting the same treatment and the same prices from the public utility corporations that he is getting.

Stability and fairness in railroad rates are fundamental to success in business and we are immeasurably gainers by the sort of collusion I have outlined. We would be gainers in just the same way by this collusion, by this co-operation, in these other industries, provided the public were protected in the same manner.

We must agree that there is no substantial difference between the United States Steel Corporation and the Pennsylvania Railroad, except that one has been declared to be vested with a public interest and the other has not. In the case of Mound vs. Illinois, it has been proven conclusively through the highest courts, that wherever a business became so large as to be vested with a public interest, it is subject to regulation. Also, that wherever a business, by co-operation, or a set of businesses by co-operation, control the market, they, by that fact, become a monopoly in fact and are vested with public interest and subject to regulation.

It only remains for the states and the United States to pass laws, creating state and interstate trade commissions, with power analogous to those of the commerce commissions, concerning utilities, in order that the law may be sound and we shall have a situation for constructive advance in business.

An interstate trade commission should be created for interstate commerce and state trade commissions for state commerce, each to have control over business which is vested with a public interest or in which the market is controlled, precisely as the public utilities commissions have control over the public utilities. It is to be noted that this proposal does not imply that the administrative commissions shall have control of all business, but only business which, because of magnitude, or because of co-operation, become vested with public interest. The initiative in control of business will remain with the business organizations precisely as at present; but whenever an organization performs any act which, in the opinion of the appropriate commission under the powers granted is contrary to the public interest, that body may intervene.

I have in my hands here the Interstate Trade Commission Bill which is now before Congress. It would not be possible here to discuss the features of this bill, but in general the new commission takes over the Bureau of Corporations and has the same powers as the Bureau of Corporations.

In addition, the bill contains other important provisions. One of them is that this commission may act as a master in chancery in the dissolution of corporations and so assist the courts in the dissolutions, when the corporation is found to have violated the law; or in the elimination of unfair practices, if found guilty of unfair practices. The commission also can investigate the manner in which the organizations are carrying out the orders of the courts; finally, it has a general provision which is of extreme importance, in which it is declared that unfair competition in commerce is unlawful.

The business men have themselves been greatly to blame for the seeming necessity of this bill. Because of their indulgence in unfair practices, they have brought upon themselves, in large measure, this attack. The surest way to regain freedom in the future from unjust attacks is to refrain from unfair competition. (Applause.)

The commission under the bill has authority of its own initiative to examine the practices of different organizations to ascertain whether or not they are pursuing unfair methods and to issue orders in accordance with the facts. In this way, this bill is a great constructive advance, in that it substitutes the simple machinery of the administrative commission for the complex and laborious and expensive methods of the courts.

But this law should have one further supplemental provision, and that is the matter of advising in business. The President of the United States, in his message to Congress, suggested that this Interstate Trade Commission should have the power to advise in regard to existing or proposed practices. Following the suggestion of the President I have drawn up an amendment to that bill, which has been submitted to Congress, but which, as yet, has not been incorporated in the bill. Doubtless it will not be incorporated in its present form, though. There is still a chance that it may be incorporated in substance. This amendment provides that any person, association or corporation may present to the commission for its approval any existing or proposed practice or plan of co-operation. If such existing or proposed practice or plan of co-opera-

tion is found by the commission to be in accordance with the law, the commission shall issue an order authorizing such practice or co-operation, either for a specified time or until further order is given. If the existing or proposed practice or plan of proposed co-operation is found by the commission not to be in accordance with the law, the commission shall issue an order forbidding such practice or co-operation, either for a specified time or until further order is given.

Orders of the commission shall be *prima facie* evidence of their lawfulness, until such time as changed by the commission or until reversed by the courts through action of the Attorney-General.

If this provision were added, this Interstate Commission Bill would be a great constructive advance. It is now investigative so far as your lines of business are concerned; it is now protective as far as the public is concerned, and it should be constructive so far as you are concerned. A great many men do not know whether they are violating the Sherman law or not. I have read every decision of the courts in regard to the Sherman law, and I do not now know even approximately the extent to which the United States Supreme Court will allow practices in the direction of co-operation before they declare such practices to be an unreasonable restraint of trade.

A man from New York wrote me that his business had been prosecuted, and that it had cost him between \$60,000 and \$80,000 to carry his case up to the United States Supreme Court, and after three years' time the court decided against him. He stated that if the Attorney-General had simply sent him a letter under a two-cent stamp, saying that in his opinion the particular practice complained of was not in accordance with the law, he would have been glad to have changed the practice, and thereby have saved money, time and a vexatious litigation.

It is only fair and reasonable that you men shall know whether or not, in the opinion of the commission, the practices in which you are engaged, or in which you propose to engage, are in accordance with the law. It may well be that the commission will not be inviolable; it may be that some mistakes will be made; but it is scarcely probable that such mistakes will exceed one in a hundred. As evidence of this, we have the situation in Wisconsin in regard to the railroad commission. The largest number of cases are settled right around the table; the two parties being in the presence of the commission and the complaint being made to it. The subject is thoroughly talked over and the commission says, such and such seems to be the case, or asks if such and such is not about the fair solution of the matter. It is usually agreed on one side as the fair solution and it is satisfactory to the other side, and the case does not even come to be a matter of record. How much better is that than to start litigation in the courts! In regard to the other cases which cannot be settled in this informal manner and which come up for formal hearing, not one per cent has been reversed in the courts, all of which shows that the simple machinery of the administrative commission is able to determine with a high degree of probability the facts in the matter and what is probably in accordance with the law.

Therefore, I hope that you men of this Association will do everything possible to get that amendment, or the idea of that amendment, incorporated in this interstate commission bill, which is now in the United States Senate, and thus give this measure not only the quality of investigation as far as relates to your business and protective for the public, but constructive for you. (Applause.)

There is one further measure which is necessary in order to put the situation in a sound condition. I have here a copy of the Clayton bill, a heterogeneous bill, a piece of makeshift carpentry, which attempts to prohibit this practice and that in an itemized way. The bill is objectionable in almost every feature. Moreover, it is wholly unnecessary. But it has passed the House and is in the Senate now, and, consequently, is a measure to be seriously considered.

I insist that the Sherman law should not be amended by piecemeal carpentry but by a broad principle. All that is needed in order to settle



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each of these questions, or to put them in position so they can be settled by the Interstate Trade Commission, is a simple amendment to the Sherman law along these lines. You remember that the Sherman law prohibits all practices and combinations in restraint of trade, and all monopolies, but you will also remember that the United States Supreme Court has said that that means restraints of trade which are unreasonable. All we need to add, is this: The restraint of trade meant by this act is that restraint of trade which is detrimental to the public welfare, and

the presumption is that any restraint of trade is thus detrimental. Then we have a principle upon which to go and everyone of these practices can be decided under that principle.

You may think that this is a strange proposal; that it is up in the air. It is absolutely in accordance with the anti-trust law of Australia, which is working with a high degree of success, and which has led to real co-operation in business without any campaign of destruction or without the evils which have arisen in this country. The Australian law prohibits all unfair practices and specifies most rigidly the kind of practices it prohibits. It prohibits monopoly; it prohibits co-operation; but finally, there comes in the general clause: "but in regard to any of these things it is a sufficient defense to show that the practice or thing is not detrimental to the public welfare." Identically the same idea is proposed in this case.

If you have a law of that kind, an interstate trade commission law, what is the situation? When you have any practice or co-operation, you must bring the case before the Interstate Trade Commission, put your cards right down on the table, and say, this is what we propose to do, or this is what we are doing. The Interstate Trade Commission takes that existing or proposed practice or co-operation, and considers it in the light of that principle—is it detrimental to the public welfare, and if it is detrimental, an order is issued in accordance with the law and you must show it is not detrimental. The burden of proof is upon you. If you can prove that to the commission that it is not detrimental, then the co-operation is permitted.

By these two simple measures we shall have a constructive program, which will allow progress in business, allow development of industries, allow us to push our trade abroad, and at the same time control co-operation in great business, and have great lines of industry handled with the same satisfaction to the people that the public service corporations are giving under commission control.

One feature of this Clayton bill, which I cannot speak of in detail, is especially objectionable. It is the measure which excepts farmers and laborers. When I was before the committee of Congress in this matter, not being much of a politician, I said to the Interstate Commerce Committee of the House that it was a mighty popular provision. Mighty is the word they use in the South, and a good many of them were Southerners. And I said, it is a mighty popular cry to shout about busting the trusts but when the farmers learn that their trusts are going to be busted next autumn it will not be so popular. (Laughter.) I saw a smile come over the faces of that group of men. They caught the point. But what did they do? They put in an amendment excepting the farmers. (Laughter.) Not being a politician, I did not anticipate that. (Laughter.)

This amendment is a very dangerous feature of that bill. I cannot read the whole of it, but this is the last clause, referring to farmers and laborers, it says: "Nor shall such organizations, orders, or the members thereof, be held or considered to be unlawful conspiracies in restraint of trade under the anti-trust law."

When that amendment came up on the floor of the House, on the committee of the whole, what happened? The roll call was 270 ayes and not one no. That was the first time in the history of Congress that I ever knew that they were unanimous in their intellectual convictions. (Laughter.) But that must be the sound conclusion to be drawn from it, because it is not possible that they were affected in their votes in that

roll call by how the votes are going to be cast next autumn. (Laughter.)

As a matter of fact, this is a very dangerous proposal, to introduce class legislation, because the farmers have many votes, the laborers have many votes, and there is danger, unless you men exert your full power, unless you appeal to a higher sense of justice, that class legislation will be passed through Congress, exempting two great groups of our people from the anti-trust laws and leaving business amenable to those laws. It has been said that it is a profoundly immoral situation when some few men will violate the law. I say it is a far more immoral situation when this country passes class legislation and class is put against class by law; yet that is what is now proposed in Congress, and that, in effect, exists at the present moment, for the clause which appropriated \$300,000 for the enforcement of the anti-trust acts contained a provision that no part of that money should be used for the prosecuting of farmers and laborers. President Taft vetoed the bill on that account. President Wilson signed it, saying that he had money from other sources which he can use for that purpose. This may be so, but he has not used very much of it. (Laughter.) And this very same clause is now in the present sundry civil bill, and, therefore, there is grave danger.

You, of course, cannot defeat this measure by an appeal as a class, but simply an appeal to a high sense of justice. Is the Senate of the United States at this time in its history going to introduce a new principle in this country, exempting one class from a set of laws and making another subject to those laws? That would be a profoundly immoral and disastrous situation. (Applause.)

If, however, the Senate of the United States is willing to handle this matter of the trust situation upon the basis of statesmanlike constructive work, under the broad principle which is here proposed, then every legitimate line of co-operation is possible. You in your lines of business may co-operate, so far as such co-operation is not detrimental to the public welfare; the farmers may co-operate in their business so far as such co-operation is not detrimental to the public welfare, and the laborers may unite and organize and co-operate in every legitimate way. They should ask nothing more; they have no right to anything more. You, upon your part, have the right to ask that you receive the same treatment.

Therefore, I am appealing wherever possible to bring all people together, all classes together, in a spirit of sweet reasonableness, with the hope of handling this gigantic, economic question, a new development in this twentieth century, upon a higher plane than that of politics; or transferring the word from politics to science, handling it on a scientific basis.

If we shall all unite in this measure and attempt to co-operate in a fair way, indulge only in fair practices in our business, co-operate only in a fair way, and then ask that others do likewise, and that all groups shall move together, business men, farmers and laborers, we shall rise to a new plane in the government of this country—a plane which I hope may be achieved; a plane which can be accomplished, if, with sufficient patriotism, we stand for the solution of this situation upon the basis of high moral principle, rather than upon the basis of our own special interests. I thank you.

(Prolonged applause, and the University of Wisconsin yell were accorded Professor Van Hise.)

A. C. Carpenter, New Orleans—Mr. President, at this time, as a mark of appreciation, I desire to move that this convention extend a vote of cordial thanks to Dr. Van Hise for his very able and instructive address. Seconded and carried with great enthusiasm.

F. H. Randel, Cleveland—I have a resolution that I would like to present at this time, if I may.

President Salisbury—if there are no objections Mr. Randel will read his resolution.

Mr. Randel—“*Resolved*, By the National Association of Credit Men in convention assembled, that we learn with a sense of the deepest sympathy and concern of the indisposition, while attending this convention, of George R. Barclay, of St. Louis, a gentleman whose constructive and defensive labors for the advancement of the best interests of our Association have been co-extensive with its existence, and whose personality, expressing the Association’s highest ideals, has vitally impressed itself upon every phase of its progress; and be it further

“*Resolved*, That we tender to Mr. Barclay the assurances of our affection and regards in this time of his illness, coupled with a very earnest hope that his convalescence may be rapid and that we may continue to enjoy the stimulating influence of his presence at these conventions for many years to come.”

Mr. Randel—Under our usual mode of procedure this resolution would properly be referred to the Committee on Resolutions, but in view of all the circumstances I am going to ask for the privilege of having the rules suspended, and that this resolution be now acted upon in this convention assembled; I will also ask, Mr. President, that our vote be in the form of a rising vote and in silence. Seconded.

President Salisbury—The chair will assume, without question, that the rules will be suspended by unanimous consent, and the resolution as offered by Mr. Randel and seconded by Mr. Sheffey will be immediately acted on.

Motion carried unanimously.

President Salisbury—The next order of business is the report of the Business Literature Committee, A. Gevers, Dallas, Texas, chairman.

Report of Business Literature Committee, presented by A. Gevers, Dallas, Texas.

Report of the Business Literature Committee

To the Officers and Members of the National Association of Credit Men.

GENTLEMEN:—

To a large extent an organization founded for definite, serious purposes will be judged by its literature. While an association’s literature may rise above the mean level of the association, an association will rarely be better than its literature. The latter is inspired by the best thought and the best activities of the members. It is right, therefore, that every member be ambitious to become an underlying factor in having his association put forth strong, virile, inspiring business literature.

We have a great subject to talk about—it touches intimately the life of the nation; the happiness and prosperity of every individual comprising the nation is based upon it; not only physical processes but mental and moral as well enter into it; so that all men, in their infinite variety of mental processes and make-up, are able to contribute, and indeed many

of them, whether they like it or not, are making their contributions to the expanding literature of credit.

Economic conditions are evolving rapidly and to keep up with these changes the merchant and credit man must be kept informed through the instrumentality of our literature. Correspondence schools demonstrate that education can be advanced through the mails. The daily newspapers mold and sway public opinion. Magazines have educated and entertained vast numbers. Bearing this in mind it does not require a wide stretch of the imagination to comprehend the opportunities that are before this organization for the education of the inefficient retailer by placing before him literature representing the wisdom of specialists who make it their life work to build up good credit risks.

The year has been characterized, so far as the business literature department of the Association is concerned, by special progress in three directions—the largely increased use of special leaflets emphasizing various phases of the credit problem; the rapid extension of the local association bulletin or letter, either weekly or monthly; and the definite acceptance by local associations of the value of the first-of-the-month letter issued by the National office, a letter intended originally for distribution only among individual members of the National Association.

It is impossible to overestimate the influence of these features of the Association's work upon its life and efforts. In the leaflets it has been possible to focus attention upon single subjects, and to secure the attention of a large audience at the minimum of expense. The leaflets issued this year fall under three general heads. First, educational leaflets, intended for distribution through our members to their customers, with a view to toning up particularly the retail trade so that it shall give, in the conduct of business, attention to all that makes for sounder credit.

Five of the leaflets have now been issued under titles sufficiently expressive of their purposes, as follows:

1. The Strain Imposed by the Abuse of Sales Terms.
2. The Proper Calculation of Profits by the Retailer.
3. The Influence on Your Credit Standing of Promptness in Handling Correspondence.
4. The Inventory, the Compass of a Business.
5. Good Buying, What it Involves and What it Means to a Business.

The Banking and Currency Committee refers in its report to the remarkable series of leaflets issued to influence the enactment of a safe and sane banking and currency measure and a proper administration of such measure, under the titles:

1. Why the Existing Banking and Monetary System of the United States Retards Commerce and is a Menace to Every Business Man.
2. What Must be Provided by New Legislation if Our Banking and Currency System is to be Made Adequate and Safe.
3. A Brief Presented to the Senate Committee on Banking and Currency by the National Association of Credit Men, Recommending Certain Changes in the House Measure.
4. Conclusions and Recommendations of the Banking and Currency Committee of the National Association of Credit Men Regarding the Nature of Paper Which Should Be Admissible for Rediscount Under Section 13 of the Federal Reserve Act.

These leaflets were given a circulation, running into many thousands; they were also widely copied by the press in all parts of the country so that it is impossible to overestimate the influence of the National Association of Credit Men in the field of new banking and currency legislation.

Finally, notable leaflets have been issued with a view to emphasizing in the minds of members and non-members the more practical sides of our Association's work, leaflets being:

1. What the National Association of Credit Men Has Done and Can Do.
2. What the National Association of Credit Men Has Done in Legislation, Particularly in the Bulk Sales Law.
3. What the National Association of Credit Men Has Done in Attacking the Bad Debt Loss Through Credit Interchange.
4. The Adjustment Bureaus of the National Association of Credit Men.

And again, to fill a demand for literature helpful in building up membership, there has been issued during the year completely revised the leaflet, "A Builder of Conscience and Commerce," and a strong leaflet on "What the National Association of Credit Men Can Do For Its Individual Members."

It is to be borne in mind that all this literature, several hundred thousand pieces in all, has been going out during the year bearing the name of your Association, each with a message important to the reader, each exerting at least a little influence upon all who read, and whether read or not, yet making the name of the Association, with all that that name signifies, better known.

The steady improvement in the literature issued by the local associations, particularly their weekly and monthly letters, is most encouraging. The messages they convey are so well written for the most part, that we have no hesitancy in saying that credit men, as a rule, read the letters emanating from their respective associations. We cannot but believe that those letters will be most generally read and kept on file which are prepared in letter form as opposed to printed leaflet or folder form for, while both styles are necessarily printed or processed, the former has the advantage in conveying a personal impression. Every encouragement should be given to the extension of the regular local letter system. If members do not hear from headquarters frequently, they invariably get the notion that the Association is little more than a name.

The growth of the demand for the monthly letter of the National Association has also been referred to as a feature of the year. The small associations will never find it feasible to issue a strictly local letter or leaflet, but the need of such is readily met at a minimum of expense through the National Association's monthly letter, and right now there are being issued from the National office each month nearly 4,500 copies. The committee should continue its records to the end that every member of the Association shall receive either a strongly written local letter regularly or else that of the National Association.

Another matter we urge upon local organizations is greater publicity of their doings and purposes. We believe the newspapers are showing more inclination to print business news. Credit men are continually meeting strange situations, discovering curious laws or new interpretations touching their work, and the local associations are figuring in movements of genuine significance to commerce and affairs in general, and

these things ought to be told through the columns of the press. As proof of our contention that the sort of work we are doing is receiving increasing attention, we cite the articles appearing this winter serially in the Saturday Evening Post, articles which did much to advertise the Association in the best manner.

The Bulletin continued this year in its development toward the highest type of business publication. The feeling has been expressed that it is now high time the Bulletin took on a form and appearance which would differentiate it from a simple association organ and give it the



A. GEVERS
Butler Bros., Dallas, Texas
Chairman, Business Literature Committee

look of a magazine, with a larger page, better margins, perhaps double columns, and a little more elegance in set-up and style. We like the Bulletin as it is, but this is an age of progress and we are glad very earnestly to recommend to the incoming committee that it consider the suggestion most carefully, have dummies prepared, get estimates, and be in readiness to place the whole matter this fall before the Board of Directors which has full authority to make changes. The changes sug-

gested might very likely increase the attractiveness of the Bulletin for advertising, and the Bulletin now with its select circulation to nearly twenty thousand names, would seemingly be an effective advertising medium. During the year, 228,300 copies of the Bulletin were distributed. This figure shows an increase over the previous year of 11,250, and over the years 1911-1912 of 31,960 copies.

The work of the credit man is becoming so exacting and so many elements bear upon it that he eagerly takes advantage of whatever he honestly believes will help him. "The Credit Man's Diary" furnishes an illustration. Here is a volume prepared with the needs of the credit grantor ever in view. It strives to give, just as well as it can be given, and still keep within economic production, information which he should have in hand every day, and the Diary consequently has made for itself a well established place. Twenty-nine hundred copies were bound this year and all have been sold.

There is a demand for another book, namely, an absolutely authoritative book of forms for use in the credit and collection departments. Discussions on the floor of these conventions from year to year point unmistakably to this demand. Methods have been sought to satisfy the demand for the sort of material a book of forms should contain and the conclusion is forced that the only feasible method is one which will make the forms accessible to all at a moment's notice, and a book furnishes the only solution. The ground work has been laid by the Committee on Credit Department Forms, which reported at the Cincinnati convention through E. G. Leihy, its chairman, and we urge that the Business Literature Committee be authorized to proceed to prepare such publication. It will be necessary to advance moneys from the treasury for this work, but we have little doubt that the treasury will be fully reimbursed in due course, just as it always has been reimbursed in issuing the "Credit Man's Diary," though naturally the process will not be as prompt as with that well established publication.

The committee experimentally issued during the year a card, size $5\frac{1}{4} \times 3\frac{1}{2}$ inches, reading as follows:

"Did you ever stop to think how seriously indifference and neglect of the correspondence of your creditors, relating to overdue accounts, affects your credit standing?"

"If you cannot remit when due, don't let the creditor guess the reason. He is likely to make an unpleasant guess. Give him the reason straight, and thus encourage that frank relationship between business men that is worth dollars to each."

**"PROMPTNESS IN CORRESPONDENCE IS ONE OF THE
BEST OF CREDIT AND BUSINESS BUILDERS
NATIONAL ASSOCIATION OF CREDIT MEN."**

This card has pointed a new way to service for the members. Members have written that they have thoroughly tested the card in their collection work and found it wonderfully effective. Over 300,000 have been sold at cost price so that the little card, with its brief and simple lesson is falling upon the desks of traders all over the country and, like the seed, at least some will fall where it will germinate and produce abundant crops where there has hitherto been only scanty return. The card message system is good and should be developed in several other obvious directions.

The work of the Business Literature Committee perhaps comes closer to that of the Committee on Credit Education and Management than any other department. Your committee has been endeavoring to follow closely the rapidly expanding educational work of the Association, recognizing that it is a department of great promise. There should continue to be a cordial working agreement between the two committees.

In conclusion the following resolutions are offered for your discussion:

I

"Resolved, That this convention approves the policy of the Business Literature Committee in its liberal distribution of leaflets, intended to stimulate traders to a better understanding of that which makes for sounder credit, as also of leaflets prepared with a view to giving members and non-members a better conception of the work of the National Association of Credit Men, and urges that this phase of our work be prosecuted vigorously.

II

"Resolved, That this convention learns with much pleasure that weekly and monthly letters are being issued by a largely increased number of local associations, and urges the importance of every member, whether individual or affiliated, receiving from his local association or the National office regularly a special communication other than, and in addition to, the monthly Bulletin.

III

"Resolved, That systematic efforts should be made by the National office and all local offices of the Association for more general newspaper publicity touching the purposes, efforts and activities of the Association, it being the impression of the convention that our newspapers are showing increasing interest in business news, facts and incidents touching the progress of commercial affairs.

IV

"Resolved, That the Business Literature Committee for the years 1914-1915 take up at once the question of mechanical improvements in the Bulletin, presenting its conclusions and recommendations to the Board of Directors at its fall meeting.

V

"Resolved, That in the belief that the credit men of the country have the right to look to the National Association for authoritative literature bearing upon their work, this convention approves the recommendation presented in this report that the Business Literature Committee, in collaboration with other appropriate committees, undertake the early issue of a book of credit and collection forms.

VI

"Resolved, That the card message system treating, in the briefest possible manner important credit subjects, similar to the card touching

the prompt handling of correspondence cited in this report, is recognized by this convention as presenting a splendid field of service for the members, and the committee is urged to develop this field further with all earnestness."

Respectfully submitted,

Wm. Monnig,
S. P. Berry,
Jake Wolff,
Willis Davis,
D. D. Peden, Jr.,
A. Gevers, *Chairman.*

President Salisbury—The open parliament on this report and resolutions will be lead by J. B. Dwyer of Buffalo and Alexander Wall of Milwaukee, Mr. Dwyer leading. (Applause.)

Mr. Dwyer—My remarks following the report which you have just heard will not be given to the need and value of sound business literature to our own members, for upon that point we are all agreed.

It need not be said that the rule of thumb method of granting credit will no longer suffice in these days of keen competition. Knowing must take the place of guessing. Waste and loss must be eliminated, for herein lies the mark between success and failure.

Credit men need all the training and education of the right kind they can obtain, and it is the office of this Association, through its business literature, to see that our members are furnished with the best information to be had on all matters pertaining to credits. The BULLETIN and the associational leaflets serve this purpose admirably, coming regularly to our members filled with the newest and most advanced thought of the day.

There remains, however, another and an immense field for action which must be reached. I refer to the great number of credit grantors and credit men who are not affiliated with our Association. Until they come to recognize the fact that they are not filling and cannot fill their positions with the utmost degree of efficiency unless affiliated with our Association; that this organization stands uniquely for high ideals and business training; that it is probably the greatest single force in this country for the placing of business on a high plane; until these conditions are realized the work of this committee is of the utmost importance.

The credit man must be educated, not alone along the technical lines of credit granting, which we agree is of much importance, but he must also be educated along broad lines, which is the spirit of this Association. He must learn that no credit man is unto himself sufficient; that there ought to be no competition in the matter of settlements and adjustments; that in cases of insolvency, it is better to co-operate with other creditors than to try to take advantage of them; that credit men have red blood in their veins; that they are human and that there is honor among them.

The following excerpt, from the secretary's monthly letter, illustrates this point:

"BAD FAITH AMONG CREDIT MEN.

"There is nothing that alarms us so much as the charge of bad faith among credit men. Credit cannot exist where there is demoralization and there will be demoralization where men lie to each other or pass along word tending to lead another astray with reference to an account. There

does not exist, in any case that can be presented, a valid reason or excuse for falsifying credit information and there is much to be gained by being recognized as a credit man of genuine frankness in dealing with one's fellows. We view with jealous regard the whole credit fabric and its integrity is our constant effort."

I believe this gospel should be carried to the business world outside of our Association, and it must be done through the public press. I believe our Business Literature Committee should have prepared articles for newspaper publication, dealing with cardinal points such as that in the quotation, and furnish them to the various local associations for publication in their home papers. I find that the papers of my city are glad to secure and publish articles of business interest.

I can conceive of no better way of spreading the gospel of our Association, of reaching those whom we wish to reach, and it will also have the beneficent effect of advertising our Association in its most effective form; we will be casting our bread upon the waters to be returned a hundred fold, in increased membership, in enlarged opportunities, and in greater influence.

Another thought to which I wish to refer has to do with our courses on credit education, carried on by the local associations. If credit granting is to be reduced to a science there must be assembled the fundamental laws which underlie the science; in other words, if credit granting methods and principles are to be taught in classes and courses of study, text-books must be compiled for this purpose. Up to the present time I have no knowledge of this work having been done. It should be undertaken if courses in credit are to be introduced into our high schools where young men, who may not have the opportunity of going to college, may have the advantage of this business training. This I believe to be the work of the Business Literature Committee.

I wish the privilege of introducing the following resolutions:

First. "*Resolved*, That the Business Literature Committee be instructed to prepare or cause to be prepared a series of articles for newspaper publication relating to business ethics, business literature and credit granting, all bearing the name of the National Association of Credit Men, and furnish such articles to the local associations for publication in their local newspapers.

Second. "*Resolved*, That the Business Literature Committee be instructed to proceed to have compiled suitable text-books containing the fundamental and basic laws of credit granting, for use in high schools, commercial courses and special classes on credit education conducted by local associations, and that local associations have these introduced and used as prescribed.

Third. "*Resolved*, That the National Association, through the Business Literature Committee, prepare a catalogue of suitable, authentic and modern books on the subject of credits and allied topics, and furnish these catalogues to secretaries of local associations, who will be encouraged to have the books placed on the shelves of the public libraries, advertising the fact among their members."

I move the adoption of these resolutions. I thank you. (Applause.)

President Salisbury—The open parliament on this subject will be continued by Alexander Wall of Milwaukee.

Mr. Wall—When I received Mr. Tregoe's letter asking me to take part in this open parliament, I presumed that I was to read over the report and form some conclusions on some of the resolutions, either in

favor or against them, that I was to be down on the floor with the rest of you, making a fight for or against them. This, however, does not seem to be the procedure, and so, instead of having a prepared report of my own, you will have to accept what I have to offer, based on my original understanding of my function.

Business literature, as I understand it, can be divided into two kinds —literature for the business man and literature of the business man; and under this conception two of the resolutions interested me particularly. The first one is that dealing with the little booklets and leaflets that have been issued during the past year or so, and particularly those prepared to present reasons to non-members why they should become members of this Association. Perhaps I am particularly interested in our literature from that standpoint, because the president of our local association came to me and said, "There is a big body of men in Milwaukee that should belong to our Association; go after them." Happily, that same day our secretary sent me a series of some ten leaflets dealing with different features of the credit man's work. I took these ten leaflets and folded them carefully, like a letter, nothing else with them, put each in an envelope and addressed it to Mr. So and So, treasurer of the company. In the corner of the envelope I put "Personal No. 1," and "Personal No. 2," and so on, and put them in a tickler that I have in my own department. They were mailed every morning over a period of ten days. In the last one I included an application for membership in the Milwaukee organization and my own card, on which I write: "Hereafter do not come as a guest but as a member to our dinners." I saw this gentleman about two days before I started for Rochester, and said to him, "Have you heard anything from me?" "Yes," he replied, "and you are going to hear from me very shortly; I have your application on my desk and expect to sign it within a day or two." When we go back, we will have a member. That is one kind of literature.

The other resolution was that dealing with the newspapers. And in this regard we have had an interesting experience in Milwaukee. Last fall there were rumors throughout the city concerning a retail store on one of our principal streets. An agency man came to me and said: "Did you hear that so and so is going to bust?" I said, "No." He said, "Well, they are." I said, "What makes you think so?" He said, "I hear it all over the city." This man, while not a customer of our bank, happened to be an intimate friend of the bank, and I telephoned to him and asked him if he was going to bust and he said he was not. And then I asked him to come over, that I wanted to talk to him. He came over bringing his financial statement. The concern was made up of three or four comparatively young men, who started out with some \$4,000 of real money and some knowledge of the business, considerable get-up-and-get, and they went to it, and in the last ten years they had built up from that original \$4,000 a capital of about \$100,000. They had a slack season last fall. I mean by that, the season was behind time in Milwaukee and they did not move everything they had, and asked for some extensions of certain eastern credit men and got them; but these rumors went out due to the fact that they had had to discharge for inefficiency an employee who had been working in their office, and this employee had done some promiscuous talking.

After satisfying myself that fears for the concern were needless, I told this young business man to see Mr. Sawyer, who has charge of our interchange bureau, thinking that perhaps through the bureau, credit men

generally might be inquiring concerning this house. He went, and furthermore, the bureau took up the matter with the newspapers and we had some very good business literature in the editorial columns, dealing indirectly with this case. No names, of course, were mentioned, but the papers went hard after the people who attack credit conditions and make insinuations against the personal standing of individuals and of corporations without knowing what they are talking about.

The newspapers are the business literature of the business man, if you can call it literature. (Laughter.) Anyhow, it is what they read. I believe that resolution No. 3, in which it is suggested that the different associations get together with the newspapers in an attempt to produce good editorials as well as good financial news, is a move in the proper direction, and I wish to very heartily endorse both of those resolutions particularly. I thank you. (Applause.)

The six resolutions as presented by the committee were each read and a proper motion duly made and seconded for each resolution was unanimously adopted. On motion duly made and seconded, the report and resolutions as a whole were then unanimously adopted.

Secretary Tregoe—Mr. President, the resolutions offered by Mr. Dwyer, he has moved their adoption, and it will only be necessary to have his motion seconded to bring them before the house.

President Salisbury—Does the chair hear a second to Mr. Dwyer's motion?

J. T. Haden, Nashville—I second the resolutions.

President Salisbury—Mr. Dwyer's resolutions are before you. Do you wish to have them read again?

H. E. Choate, Atlanta—Is there anything in Mr. Dwyer's resolutions that conflict with the committee's resolutions?

The resolutions were then read by Secretary Tregoe.

F. H. Randel, Cleveland—I believe that these resolutions will involve quite an expenditure of money. I believe that they properly should be referred to the board of directors, considering the amount of money required to make them effective, and I make a motion that they be so-referred.

A. H. Dobson, Utica—I would second that motion, and would say that as far as the books for libraries are concerned, I believe that several of the associations have already met this point; I know that at least one besides Utica has.

R. S. White, Chicago—On this subject I think we all recognize the necessity for text-books, but I very seriously question the advisability of a committee of this Association, as such, undertaking the preparation of such books; and, consequently, I heartily agree with the idea that the whole subject be referred to the incoming committee, or the board of directors, or both, for consideration.

President Salisbury—The motion is that these resolutions be referred to the board of directors, on account of the expense involved. Do you wish to amend the motion to that effect, Mr. White, or support it?

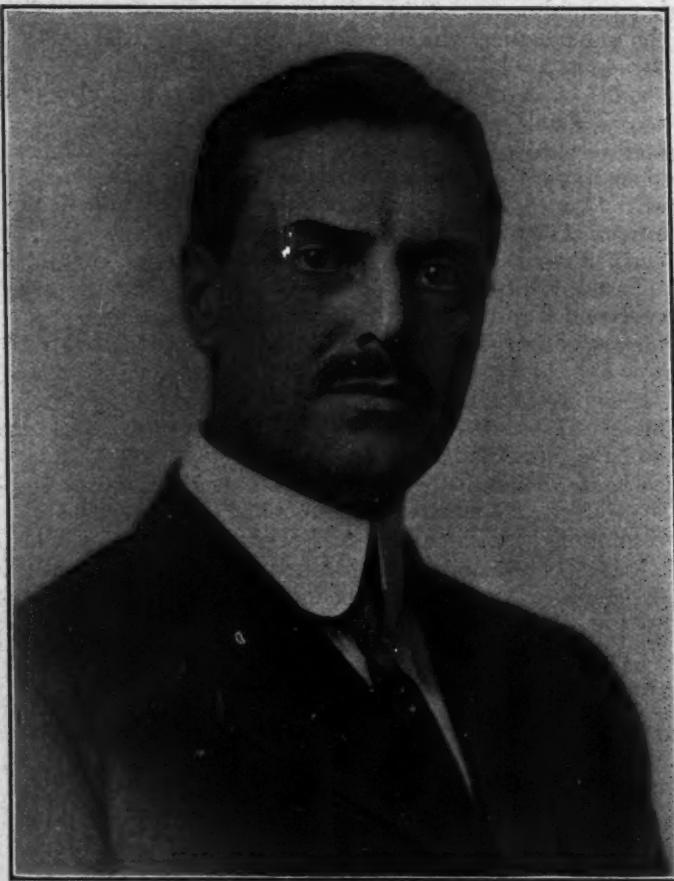
Mr. White—Support it.

Rochester Representative—I call for a division on the question. According to my view, the last two resolutions are both impracticable and undesirable, because the subjects are not such as lend themselves to teaching by correspondence schools or by text-books. The granting of credit is a matter so much of judgment that it has to be acquired by experience.

You cannot teach a young man in the high schools this sort of thing without botching the job. I think these last resolutions ought not to be adopted. (Applause.)

President Salisbury—The secretary wishes to make an announcement.

Secretary Tregoe—Last year, if you remember, at Cincinnati, a resolution was adopted that a text-book should be written; and I want to advise you that the first chapter of that book has been written—one chap-



H. W. PARKER
Merchants' National Bank, St. Paul, Minn.
Director

ter in twelve months. Now that is progress, and after a while that book will be written. (Laughter.) I will be glad to send that first chapter to anyone who would like to read it.

President Salisbury—The question is to refer the resolutions offered to the incoming board of directors. All who are in favor of the motion will please say "aye"; contrary "no."

Motion put and carried.

President Salisbury—Unfortunately, Mr. Hutchins, who is on our program for the next address, has found it impossible to be present. His address, "The Elevation of Business Standards," will have to be omitted but will be printed in the convention proceedings.

(The address of Mr. Hutchins is as follows):

The Elevation of Business Standards

ADDRESS BY LEE M. HUTCHINS, GRAND RAPIDS, MICH.

The significance of the topic assigned to me is that the business standards of the American people need to be graded up and the topic itself fundamentally implies that it has occurred to the minds of one or more men that the operative as well as the economic and moral conditions of this country demand such an elevation.

Whatever may be said in this brief hour as to the elevation of business standards must run so closely along the lines and embrace so thoroughly the consideration of the ethical side of business life that it will be almost impossible to avoid transgressing, and in fact refrain from reference to the very able paper that was given us one year ago on the "New Ethics of Commercial Life."

We very often hear it said, "We wish we could have in the operations of today a prevalence of the old time rugged and sterling principles of honor that prevailed in the times of your father and mine forty or fifty years ago." We refer to these men as men of the old school or the old stock. These men had ideas in regard to freedom, in regard to faith, in regard in fact to the fundamental principles of honor that were not only startling when we consider them, but were rugged to the last degree.

In those days the movements and the occurrences of commercial life, whether in manufacturing, distributing of merchandise, or in banking were so simple and of such moderate action that the tendencies were all toward the feeling that every man should render unto every other man a compensation or a consideration for the labor and the product that he put forth on a fair and equitable basis. These were days when the natural resources of our country had not been called forth with any great demand, and the commodities of the rural districts were not based particularly upon a money consideration but upon an exchange of comparative values. The simple life and the moderate development did not put into the minds and hearts of the people a supreme desire for wealth and the rapidity of its accumulation.

In those days sterling characters were created and developed which very carefully considered such questions as that of slavery, etc. They became the bulwarks of strength in the time of the Civil War and were mountains of power during the period of reconstruction. Not only through the southland, but through all of the United States during this latter period, and especially in the face and the realization of that tremendous and certain shrinkage of values, these characters were tried to the utmost and up to and including the period of our panic of 1873, the manhood of our country was tried as by fire, and there was very little implication as to honor in business dealings, and every man was willing to consider his fellow man upon the same basis as himself.

During the seventies of the last century and following the panic of 1873, our country seemed to awaken to a sense of its possible power in

the commercial world. We took on a rapid development. It became apparent in a very short time that individual ownership and individual management and capital would not be sufficient to supply the demands that were already being made upon the resources of the country. At that time we had the development of the corporation, and we all recall, who were in business at the time, that the older merchants predicted that the corporations would ruin all of the small merchants of the country.

As the power of this new commercial movement developed and it received the consideration of men who had trained their minds in the development of raw material, in the production of manufactured articles such as furniture, etc., and in the possibilities of the distribution of these not only to our own markets but to the markets of other countries, many of these men grasped the opportunity in the use of corporate capital to operate economically and to get rich quickly. This established a new system and a new set of possibilities in handling the resources of the country, in merchandising, in banking, and in all such undertakings.

Up to this time men engaged in these fields of action were not at all aware of the fact that they should be peculiarly fitted for the undertakings. It was just a question of general ability and an opportunity for the use of capital. All such movements that are radical and very comprehensive draw with them and practically create a new set of rules and in fact canons of business principles of their own, and while for a time the commercial world seemed to be eminently successful in the work of the corporation it soon developed that it opened up a field for deceit, intrigue, and dishonor that was startling. The accomplishments of the commercial world were comprehensive and astounding. The pendulum had swung to the extreme and there was no such thing any more as ordinary competition. What was formerly called cut-throat competition, through the combination of capital and the organization of trusts, became an old practice and our country for a time forgot old methods.

During the last decade of the last century particular emphasis was brought upon the conditions into which we were drifting, and the leading men of the country as well as our newspapers and periodicals took up this matter of the morals of business and without fear or favor laid the processes open to the light of investigation to such an extent that society at large began seriously to give consideration to these matters. The more the investigation and the louder the cry of society, the darker and the more grievous seemed to be the conditions. Men had forgotten in the wild rush for wealth that every man is his brother's keeper and that somewhere all these operations must clear and that the commercial world practically is only an incident to society at large.

During that decade the standards of business in this country had reached the lowest point from an ethical standpoint that had ever been touched in the history of our people. The business world had taken the position that business was business, and it had nothing to do with the affairs of life that were considered ethical and that had a moral issue. Our national life, however, has during the last decade broadened and deepened and a much nobler idea of the place and function of the commercial life of the American people in the modern world has been defined.

The leading commercial men of the country have truly and honestly not only assisted the federal government, but realizing that the work of the federal government and of the states is nothing more or less than a reflection of public opinion, they have during the last

decade worked long and hard to bring about better conditions, and the realization of the fact that business as well as everything else, and especially a profession, has an ethical side that must be observed.

The truth is that men in business are realizing that there is no such thing as being a one-sided man, that a man must be governed by the same principles in this business that he is in his home and his church, and that when he takes on these ideas and they become a belief with him he must be governed by them or he will be entirely out of harmony with himself and the world about him. I hear you say that this is all idealistic and possibly visionary, but let me say to you that the federal pure food and drug law which has a replica on the statute books of almost every state in the union was just one startling and comprehensive step forward in a response to a demand for higher standards in foods and medicines. The merchants in those lines had not only themselves arrived at a point where it was extremely dangerous to go beyond, but society at large had taken the position as it always must, that to correct such an extensive set of evils it must ask that the evils be cleared through the clearing house of society. The efforts along these lines were long and serious but before they had proceeded very far the manufacturers of all these items were co-workers with the movement in bringing about the proper conditions.

The matter of misrepresentation in the commercial world either by label or quality, the matter of weights and measures, the matter of the name or title of items of merchandise were corrected so that every man, woman and child in purchasing would be more safe in so doing. We may refer to our federal bankruptcy law which was nothing more or less than a demand that developed through society in the commercial world for the treatment of the unfortunate. This law had been on the statute books before but had been repealed, and the repeal was due to nothing more nor less than a lack of the full comprehension of what the bankruptcy law is intended for. The present law, while it may be inadequate and more especially abused in its practice, yet it is already where it is by the demand of society and the higher conception of what our treatment should be of the unfortunate man.

The sales in bulk law which is in force in the greater number of the states is nothing more or less than the elevation of another standard which must be respected by all honest men, and that is, that when a merchant is owing for the merchandise which he sells to a successor, there is a right and a title in that merchandise which must revert to the man of whom he bought it and to whom the proper amount of payment has not been made. We have in many of the states a law for the filing of chattel mortgages, bills of sale, etc., which we asked to have filed with the county officer instead of the township officer. The ethical side of the necessity of filing these papers is that the filing gives notice to the public of the obligation that has been assumed by the debtor, and that when filing occurs in such a manner or in such a place where that publicity is covered from view to any extent, then the ethical side of the original conception has been injured, and while many of our localities and states object to this new method, yet the time will soon come when the business public will demand just what it now objects to in some localities.

Time is too short to enumerate any particular number of such things only to say that they are just solely and purposely to indicate that while the commercial world touched bottom, as we might say in the abuse of standards, it is now seeking to find itself and to establish standards not only through legislation but willingly through organization and association that will soon not only class our nation, but mark our nation as taking a long step forward in adopting a code of morals in business life, a system of ethics, if you please, and such canons of business propriety as this association is now adopting so as to put us in the forefront of all commercial nations.

We are just now illustrating that the old form of cut-throat competition at the time the corporations came into existence is no more and cannot be called back. It is just as true that the old policy of seclusion is going and soon will be forever gone, to be replaced by the co-operation, the open and above board operations of commercial life that must conform to the spirit and meaning of the philosophies that govern other undertakings.

It is to be admitted that there has been cause for complaint and worry, but is it not true that the demagogues of the day have been the heroes in any sense. The trickery and dishonesty of the commercial world is practised by a few to the detriment of the entire field of undertakings. It is the disposition of our newspapers and of our demagogues to publish broadcast every failure, every piece of chicanery, and all of the shortcomings of the commercial world, forgetting, it would seem, for the time being, the thousands and millions of people engaged in all kinds of commercial life from the tilling of the soil, the development of our resources, the manufacturing and merchandising, and the handling of money, who are absolutely honest and who decry as much as is possible by man the injustice and bad practices of some of our commercial friends.

These instances of commercial fraud have been many and some of them have been very serious. Some of our greatest men, some of our largest railroad corporations, and other corporations, some of our banking institutions have failed to keep the faith. Properties have been looted, money has been stolen and public trusts have been violated. While this has occurred thousands and millions of people who have been eminently honest and upon whom no curse should rest, have been obliged to suffer with the guilty, but if you will think with me for a minute you must admit that if the dishonesty referred to was common or universal, the whole fabric of commercial life would fall and fall of its own weight. There would be no such thing as credit. There would be no dependence in a man to pay his note on a given day, no man's word would be as good as his bond, and no man could be referred to as a captain of industry or a prince of finance.

The truth is that notwithstanding the fact that our resources and accomplishments are very much diversified, and notwithstanding the fact that the strain upon an honest man is greater and the temptations are more numerous on every hand, yet it is clearly demonstrated in the present decade that the moral fibre of the business world is of better quality than ever before, and that the business world itself is fast becoming its own saviour and fast striving to find itself, and to so establish itself. We realize not only in our own national institutions but in the markets of the world that we must be looked upon as

masters of what we possess, and of being capable of fulfilling not only the demands upon us for our mercantile productions, but having the credit at home and abroad to keep faith with the highest standards in business. Altogether the conclusion can only be that the tendency at the present moment is not only for a certain but for a rapid advance in the elevation of business standards, for which this Association has done much pioneer work which now and must for the future stand supreme in the commercial world.

President Salisbury—We are greatly favored by having with us today a large delegation of our good friends from the North, and at this time I think it would be very proper to introduce to you the secretary of the Canadian Credit Men's Association, Mr. Henry Detchon. (Applause.)

Mr. Detchon—I feel highly honored that your secretary and president should have spoken of me in this manner and given me the pleasure of appearing before you.

I may say, incidentally, this is not the first time I have had the pleasure and honor of attending your conventions in the states, and each time I have come I have taken away a number of valuable hints which have assisted us in the North in carrying on our organization work.

I speak of it as organization work, for the reason that we have not yet attained anything like the size or even pro rata size of your organization. We are, however, and I do not apologize for saying so, following strictly in the trail of the National Association. (Applause.) We may have evolved some ideas of our own, but largely what we are doing across the border is along the same lines as are being followed here.

I should like to give you a little idea as to the progress that we have made. A little over four years ago we started a small organization in Winnipeg, Manitoba. Our organization grew to such an extent that we had houses applying for admission from the east and from the west, and it was not very long before we had an application to open up a branch in the east, and two or three in the west. Today we have with us the secretary and delegates from our various branches, situated in St. John, of the maritime provinces, Montreal in the province of Quebec, Toronto on the other side of the lake, myself representing Winnipeg, Regina in Saskatchewan, Calgary in Alberta, and Vancouver in British Columbia. (Applause.) I would ask you who are doing business in the north country to make yourselves acquainted with these credit men from the various provinces of Canada, because we are willing and eager to work with you all. (Applause.)

I have been looking through your committee reports. I had the pleasure of attending your convention at Cincinnati last year, and one of the resolutions then offered I see has not gone into effect. As another instance of our following in your trail, we have, during the last twelve months, passed a resolution similar to that Cincinnati resolution, to raise a fund of \$100,000 for the prosecution of fraudulent debtors. (Applause.) We are doing it along the same lines that you proposed in Cincinnati, namely, to ask each of our members to guarantee \$100, to be pro rated at 10 per cent per annum. If we do this, and I think there is not the slightest doubt that our members will be eager and willing to co-operate along those lines, we shall have at our disposal each year the sum of \$10,000. (Applause.)

We have been working in a small way for the prosecution of fraudulent debtors, and just shortly before I left Winnipeg we arrested two fraudulent debtors for giving false statements. That is another way in

which we have followed your example. We have gotten out a uniform financial statement, and it is upon the statement that was submitted by these two debtors that we made the arrests. In one case the man has been up before the magistrate and has been convicted. In a number of other cases, of not such recent origin, we have been successful in having crooks put in the place where they belong. (Laughter and applause.)

Now we in Canada consider that the interests of the credit men throughout the whole of America, north and south, are identical. (Applause.) Some few years ago we submitted to our electors the question that was agitating us on both sides of the line, namely, that of reciprocity. We turned that proposition down, but you have, to a certain extent, put it into effect on this side of the line. Personally I hope, and I believe, that at some future date the reciprocity that we turned down in Canada will become effective. (Applause.) I do not want to speak politically, because I am not a politician, but I sincerely believe that that result will be secured, and if it is secured, it will be by the force of our western farmers.

Just to give you an idea of the way in which we operate our co-operative system of interchanging ledger information, we have adopted a principle somewhat different from that followed on this side of the line. We are co-operating and interchanging our ideas from the Atlantic to the Pacific. We have a uniform field from Vancouver to the maritime provinces. Each of our members pays the same fee every year, and for that fee each is entitled to ask information of all members throughout Canada, and all are getting the information. Any name that appears upon any one branch daily sheet—we operate through daily sheets—is transferred automatically by the secretary of that branch to the corresponding sheet in the other branches, and by this means we get information from the ledgers of every member of our Association. It is incorporated in one report and is at the disposal of any branch that requires it.

We have also followed your example in establishing adjustment bureaus for the handling of weak and insolvent accounts and I rather regret to tell you that since we have operated these bureaus, beginning in February, 1912, we have had to wind up, or are in course of winding up, no fewer than 436 estates. Some of these we have returned to the debtor after paying a hundred cents on the dollar. (Applause.) But the proportion we have been able to do that in is, naturally, not very large; yet it is a satisfaction to know that we can do so in some cases at any rate.

In the early stages of our adjustment work, we were looked upon with a certain amount of suspicion; but today, throughout the length and breadth of Canada, we are recognized as the best medium through which to handle insolvent estates. We have demonstrated by statistics and by the fact that we are giving satisfaction, that the charges of the adjustment bureaus of the Canadian Credit Men's Association are less than any other official assignee operating in the Dominion of Canada. We have made better returns in the way of dividends and we have returned dividends more promptly. We are making a specialty of getting back into the hands of the creditors the money that they have loaned through selling goods to the retail men and we are making our record in that respect. (Applause.) We make a practice, and we are carrying it out to the full extent, that where we have sufficient on hand to distribute a dividend in any one month, of 5 per cent, we distribute it automatically. In addition to that, if any large sum comes into our hands in the interim, we are distributing that without waiting for any particular month to expire. And

I may say that we are receiving the hearty support of every wholesale house, whether it is a member of our Association in Canada or not.

We are doing a great work along insurance lines. We have confined our efforts principally in insurance work to endeavoring to educate the retailer up to keeping a proper and adequate fire insurance. (Applause.) We are doing this by means of pamphlets and by each of our members reporting to the secretary of his branch, cases that may come under his notice where any retailer is imperfectly protected by fire insurance. The secretary of that branch then takes the necessary steps



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Simmons Hardware Co., St. Louis, Mo.
Director

to communicate with the party, and never rests until he has either put on proper insurance or has refused to do so, in which event we notify our members, and it is then up to them to say whether they shall sell him or not.

We have gone a step further in Winnipeg. It has been the feeling for some time that our fire insurance rates in the city of Winnipeg and throughout the province of Manitoba were too high. At present we are

endeavoring to get down to the reason why such a state of things should exist. At our last meeting in May we invited the representatives of the city council, the fire chief of the city of Winnipeg, the building inspector, the chairman and secretary of the Fire Underwriters' Association, and a representative of every organization that was in any way interested in fire insurance matters; and we had a splendid meeting, as a result of which a committee was formed composed of a representative from every branch or every organization that we have in Winnipeg, to meet the civic officials, and the officials who are in any way connected with the fire-fighting apparatus, to determine what can be accomplished. We feel that we should go a step further and not only endeavor to induce our retail friends to place adequate insurance, but that we should also co-operate with the National Fire Protection Association in the states in endeavoring to do away with the causes of fire. (Applause.)

We have been endeavoring to do quite a little work along legislative lines in which effort we have taken another leaf out of your book. We have been successful in having put upon the statute books of every province in Canada a bulk sales act; and we are in hopes, and in fact, our secretary in the east informs us, that there is very little doubt that two out of the three there will become effective in the not very distant future. The only difficulty we are really experiencing is in the fair province of Ontario. Our secretary from Ontario is here; I take this opportunity to say to him that we hope that he will have this stain removed from the fair province of Ontario when we come down to your convention next year. (Applause.)

We are going a step further still. We feel that throughout the provinces of Canada we should have more uniformity in legislation. We have our assignment acts and our bills of sale acts and our other acts in almost every province, but there are still differences, and it is quite a matter affecting credit conditions. A wholesaler selling goods in one province goes into another and finds that he is operating under a different law. We contend that this should not be so, that every law in every province should be uniform. I had the pleasure of attending a convention of the attorneys-general at Ottawa last year, and we have since been endeavoring to have a meeting of the attorneys-general for all the provinces, so that we might discuss with them and arrive at some intelligent basis whereby we can go ahead with this endeavor to obtain uniformity in legislation. Since I came down here I understand that there has been a meeting arranged in Toronto in the month of August, and we are now taking steps to have the views of the Association brought before that meeting. I trust, through the influence of our Association, we are to have more uniformity in our legislation in the various provinces. (Applause.)

I have been in communication with your secretary and he has suggested, and I believe a resolution will be offered, that we in Canada co-operate with you along international lines, by forming a committee, consisting of a certain number of Canadians and a certain number of Americans, whereby we can meet in some border city and discuss international problems. I trust that before this convention closes we may be able to arrive at some kind of an arrangement of that character. (Applause.)

In conclusion, I just want to repeat that we on the Canadian side are willing to co-operate with you on any question looking to establishing a ground of common effort.

I thank you sincerely for your consideration. (Great applause.)

President Salisbury—We shall now have the pleasure of listening to Edward James Cattell of Philadelphia.

Business Education as a Force in Our Commercial Development

ADDRESS BY EDWARD JAMES CATELL, STATISTICIAN, CITY OF PHILADELPHIA.

There exists today in the United States the most powerful and highly developed educational machine ever created in the history of the world. Our great public school system, supplemented by the parochial and private schools, and further supplemented by the great colleges and universities, combine to form a power which must be recognized. It can be a power for good; it can be a power for evil; it never can be a force which any American can afford to overlook in his estimate of present-day conditions or the prospects of the country he loves.

Now this machine with its tremendous power and its ramifications reaching every part of the Republic, affecting the day by day life of every division of the population, represents an immense expenditure of money provided by the taxpayers—money which, if not utilized for the support of this great educational machine, might be utilized in other lines making for the material development of the country and the betterment of civilization.

A quickened public conscience is clamoring for a more careful and systematic conservation of human life, working along these lines not merely because the protection of human life is a duty founded on the great doctrine of the Fatherhood of God and the Brotherhood of Man, but for the further reason that the destruction of human life represents a tangible and easily estimated commercial loss. During one year in Philadelphia it is estimated that the preventable deaths represented the wiping out of potential wealth equal to \$170,000,000—a sum nearly double our present public debt.

The world is also deeply interested in the addition to life, of those aids to happiness which promise to make life more lovable because more livable. There is also noticeable in nearly all countries a tendency to gratify the artistic instinct and to make the home environment of the worker conform more closely to the laws of art; while another movement of world-wide influence and deep significance is the recognition of the child's right to happiness and healthful opportunity for play, as expressed in a tremendous development of playgrounds furnished with all modern equipments and officered by people who have been specially trained to lead the young child into a manner of play which will develop, coincidentally, mind, body, heart and soul.

Here you see are a number of great movements, world-wide in their application, world-wide also in their popularity with the people, clamoring for a share of the great fund taken from the people through taxation. These new movements are aided largely at the present time by benefactions from philanthropic people, just as our great educational machine is, in a considerable degree, supported by large endowments born of the same philanthropic spirit; but no man who has studied the trend of public opinion closely can honestly believe that these great legacies to great educational institutions will continue in anything like the proportion they have been recorded in the past. The bitter feeling of hatred for the rich, developed in the mass of the people, largely through propaganda originating in some of these great educational centers supported out of endowments, must result in killing this spirit of philanthropy among the very rich. No man or body of men, persistently held

out to the public as thieves and devoid of all honor, ignorant of the elementary principles of honesty and fair dealing, can be expected to leave money at his death or to give it during life, to institutions responsible for the creation of this sentiment in the heart of the people.

We must face, therefore, the problem that in the future, to a far greater extent than in the past, the whole expense of the great educational machine must be borne by the taxpayer. Facing, then, a probable decrease in the amount of funds contributed voluntarily to the support of education, and facing, also, development of many rivals claiming to perform even a more important work for the people than the schools, a situation confronts the people in control of education, and the people who pay taxes—more particularly the business element in the community—which requires careful, whole-hearted investigation, that a decision regarding policy may be arrived at which shall preserve for the great educational machine its mighty power for good—a power recognized by all in times past.

Now, certain features in the present-day condition of the educational machine should be noted. In the first place, those in control of affairs seem already to have read the handwriting on the wall and they are coming a little closer to real life. Vocational training is entering into all our public school system. In Philadelphia, only a few years ago, it was considered a condescension to establish a manual training school, and those who attended such an institution were regarded as being educated along a much lower level than those attending the regular high school. Now, our manual training schools have dropped that title, have added to their course the full high school course, while our regular high schools have added a manual training course, and all schools bear the same name of high school and the students of each stand on a level with the students of every other.

Another important feature is represented by a decline in the effort made along certain professional lines. Ten years ago, students in the medical colleges of the United States numbered twenty-nine thousand; today they number about 50 per cent, or sixteen thousand. A similar percentage of decline would be disclosed on careful investigation in many other lines of professional study. Theological students are decreasing in number; a more rigid preliminary education is required before entrance to law schools can be obtained; nearly every great university has adopted what might be called a strictly business course and nearly all the great universities are opening evening schools, whereat students employed during the day may secure a training which adds to their productive value and their benefit to the community at large.

These are signs of the times and they point, it seems to me, to a critical condition in educational matters, one which justifies a special plea to a great organization like the National Association of Credit Men of these United States—a plea for a thorough and comprehensive study of this educational question with the idea of suggesting to those in control certain modifications of existing courses of study, and certain rearrangements of hours and terms, which may still further aid the average individual to an education practical in its character, because creating abilities and aptitudes which are needed at the present time.

This question requires practical investigation by practical men, because the country is already suffering from certain misdirected efforts along the line of preparing men for business. Owing to the basic principle of our great public school system being the principle underlying our

institutions, namely, the omission of all reference to God, or, in other words, the taking cognizance of the religious sentiments of the community, the training given by this mighty factor in the development of national character has been along intellectual lines, and, of late years, along physical lines also. We have been cultivating the mind and cultivating the body, but we have been starving the heart and the soul; as a result, we have today in many instances occupying positions of high power, intellects that have divorced their souls, men who are absolutely without conscience, although possessed of great executive ability and a highly-trained mind, able to grasp quickly and clearly the great problems of life. These brilliant men without conscience have been responsible for a succession of gigantic scandals in commercial life which have led to the enactment of laws distinctly crippling to the honest efforts of honest men making an honest living. So that it has come to pass, that in the United States today, trade and commerce are fettered and hampered by a body of laws based largely upon the idea that every man who has anything is, because he has something, a thief. This is a wholly un-American idea; it is antagonistic to every principle on which this government is founded; it is at war with all those forces which have made us great and which must have full play if the national greatness is to increase.

The old idea of William Penn—that no man could be wholly free while holden in debt to another—is the generally accepted principle of the old school in the United States, and a return to that older and simpler level of ideals will, I believe, mark the next twenty years.

It is unnecessary for me to remind you that if all business were conducted on the principle that every man was a thief, or that 75 per cent of the people, or even 50 per cent of the people were dishonest, universal bankruptcy or universal inactivity would result. You know, as I know, that the records of commercial life prove that ninety-nine out of every hundred business transactions are carried out legitimately by both parties to the bargain; that the bankrupt is the exception; that the fraudulent bankrupt is the rare exception. Unfortunately the rare exception, generally under the leadership of some educated man, who stands, as I before remarked, for the intellect that has divorced its soul or the mind trained without regard to the moral sentiments, is so large, so startling in its totals, so despicable in its deliberate fraud and cold-blooded robbery, that the whole body politic receives a shock and a great majority are blinded to the honest lives, the helpful lives of the vast majority of the people.

It becomes, therefore, a point of special and personal interest to every credit man that in the new development of our great industrial machine there should be given full appreciation to the necessity to train the moral sentiments and to develop men who believe that "Honesty is the best policy"—men who believe that equitable dealing pays; men who believe what the old philosopher said, that in the end, no man can cheat anybody save himself.

The cultivation of conscience, it seems to me, should be a part of our school training from the very beginning of the scholar's course in training. I have the word of a noted educator in my own city that the most disheartening feature of his life was the laughter and open ridicule which frequently greeted him when he urged that there were many honest people in the world, or that an honest course in life could win success, even measured by material standards. On one occasion out of a thousand boys, not more than five regarded as anything but a joke, a statement

that a man could or should act honestly in his dealings with others. It is a matter of record, that one day in a large girls' school, six pocket-books were stolen.

Closely allied with this question of morals is the question of manners, because in the last result, manners, being founded on consideration for the rights of others and respect for the feelings of our associates, present in reality only another side of the great moral question. Indeed, I have frequently said there can be no good morals without good manners. Manners, or in the broadest sense, ability to understand the amenities of life and to hold intercourse with other people in a way which minimizes the amount of friction and multiplies the pleasures incident thereto, certainly represent a very real value to the business world. Many great crises in national history have grown out of a failure to observe the amenities of life in early negotiations. Violent language used regarding an opponent at a critical time has often precipitated a disastrous war. Every day we have examples of the bull in the china shop; of a man who is really a disturber of the peace at every board meeting, at every conference where important matters must be discussed and a position or compromise arrived at.

If the business world is to increase in usefulness and extend the area of its operations, not only must the new generations have a stiffened moral sentiment, but there must be developed in them a recognition early in life of the amenities of intercourse and decencies which attach to a day by day association, even if that association is competitive in the great world which opens out before them at the end of their school training.

I have seen with my own eyes a number of school children in the higher schools turn and laugh in the face of a cripple; I have heard young men, old enough to enter business life, ridicule the personal appearance and mimic the mannerisms of a man they chanced to meet in a way which showed an utter disregard of the rights or the feelings of others. This may be a trivial incident in itself but it indicates a habit of mind which does not argue well for the future business usefulness of the individual in a world where friction easily develops and kindness is a power with an easily ascertainable value.

Coming to another side of the question, recent reports show that while there has been a decrease in the number of medical students, there has been a large increase in the number of law students. This promised accession to the ranks of the lawyers presents a serious question to an organization such as the Credit Men's Association. Everybody admits that the curse of the present day is over-legislation and over-litigation. The cry of the public is for shorter sessions of Congress, and the introduction into the legislative body of the nation and of the states, of men who have been trained along business lines—men who are familiar with the real spirit which animates the commercial world.

Now, nearly every great evil can be traced to its provoking cause, and in this trouble the cause is easy to discover. We are creating an immense number of new lawyers each year. These people must live. As the ranks of the profession into which they expect to enter are overcrowded, new litigations must be created to give employment to the new lawyers. Those who succeed in reaching the legislative body must so draft the new laws as to leave open as many points of dispute as possible in order that an increasing number of disputed points may require arguments before the courts. The way to remedy this evil, it seems to me, is to encourage, as far as possible, vocational training; to elevate in the

eyes of students during the period when they must make choice of their future occupation, the ideas and ideals of the business world. Our manual training schools have done a tremendous work in breaking down a certain prejudice which formerly existed against men who live by the labor of their hands. In our own city, I have seen sons of very wealthy men working in the machine shops of the manual training schools side by side with boys who come from the so-called "slums." When this rich man's son has found it impossible to do a piece of mechanical or engineering work easily accomplished by his companion who came from humbler surroundings, there has developed in his mind for the first time, an appreciation of the fact that the work of the mechanic and the machinist requires brains, requires training, represents skill in action. Immediately he acquires a new respect for labor and his whole range of ideals shifts. Two hours in the shop, working in competition with boys who seem to possess none of the advantages which surround him at home, teach him truer democracy, imbue him more fully with the spirit of our institutions than a five-year course of lectures on the evils of an autocratic form of government.

Now, what I would like to urge is, that some systematic effort be made by great organizations like this, to bring before the rising generation the dignity, the beneficence, the romance of the commercial life; I would like this organization to impress upon the susceptible imagination of the on-coming youth of America what I term the picturesque side of commercial life.

We, in America, are a highly emotional, a distinctly sentimental people; we possess, I think, the most vivid imagination of any nation in the world. Of late years there has crept into our society a certain influence wholly foreign to our institutions. With increasing wealth, a greater number of families each year pass a portion of their time in Europe; and when in Europe, they go to the least representative sections, at least, the sections which fail to show the few good points discoverable under a monarchical or autocratic form of government. The places they visit are those where the great god is the god of pleasure, the ideal life one of drift and dream—a life which destroys the sense of responsibility and takes out of the man that splendid ambition to make himself necessary in the world, to enter that he may bless the lives of his fellow-men.

Again, thousands and tens of thousands of our student class have of late years, been taking an after-course in Europe, imbibing there the old doctrine that a few experts have the right and should have the power, to discover and decide what is right for the whole people, and then force their ideas of life upon that mass. As a result of this foreign influence there has developed in America a certain old-world prejudice against "trade." The professions, with perhaps the addition of banking, alone make the proper occupation for a "gentleman," under the new interpretation of the word. Under the new code, only the professions and banking require a high mental equipment or a high business training. This prejudice must be combatted if the country is to live; and I feel that it is a sufficiently serious menace to our institutions to receive from this great body of thinkers and doers careful attention and some action looking to its correction.

My suggestion in this direction is, that in every city a committee of the credit men take an active interest in educational affairs, seeking to co-operate with the local educational authorities in devising the curriculum of studies, forcing into that plan of study consideration of the

great civilizing influence of trade; forcing also a study of the life story of the great men of commerce and manufacture who have placed the world in their debt, not alone in furnishing employment for millions of people, in opening up to profitable settlement or utilization great natural resources, but a study also of their great benefactions and their active participation in philanthropic work during life. In other words, I would have the rising generation forced to give a greater portion of its time to the study of the heroes of commerce than to the heroes of battlefields; I would have greater attention given to the campaigns of commerce and an intelligent comprehension of the results therefrom, than to the campaigns in the great wars of Europe, or to those wars which lend a vigor to the classics. I would also have greater attention paid to the study of foreign languages—the point on which we are admittedly the weakest nation in the world.

Matters of detail range over too wide a list of subjects to discuss here and this may be left safely to the discretion of local committees, but the point I wish to drive home is the necessity of ending for all time the popular idea that greater ability is required in the lawyer than in the merchant; that a higher class of training is required in the professional man than in the commercial man. In the first place, present-day conditions show these old prejudices to be founded on a false basis; in the second place, if our form of government is to continue, we must fight promptly and with all our power, any tendency in the coming generation to return to old-world ideals regarding class distinctions.

Above and beyond all, there is in our blood, due to the traditions we inherited and the energizing qualities of our environment, that which demands action. We must be creating something or we deteriorate mentally, morally, physically. An attitude of criticism is not our natural attitude; we do violence to our moral instincts in taking this position; consequently, we sacrifice a great national asset when we allow the new generation to grow wedded to the idea that the great life of commerce is not a life which calls for the highest moral, intellectual and physical development. In a word, I would have as a motto over every school-house, the words of Emerson—"The greatest meliorator and civilizer is trade"—coupled with that splendid German thought—"Where there is no vision the people perish."

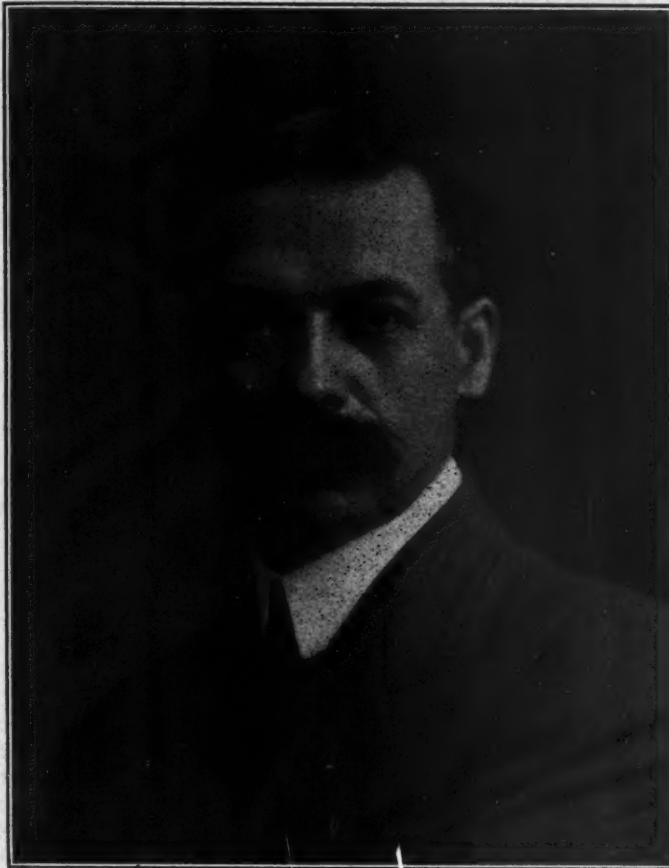
We are entering upon an era in which our trade relations will extend to every point of the globe; commercial dealings will take place with all peoples, bringing us into day-by-day intercourse with traditions, long-established customs, habits of thought and expression wholly foreign, heretofore, to our daily experience. There is in the "new-world" commercial intercourse all the elements of poetry, all the food necessary to feed the most virile imagination. I believe Young America, if rightly approached, would soon discover in the prospects of a commercial life promise of a career as exciting, as energizing, as uplifting, as ever offered in times past to the poet, the soldier, the lawmaker, or the physician.

To sum up the situation, my suggestion is that the Credit Men's Association organize committees in each city where they operate, to work in conjunction with the educational authorities, to the end that they may bring about the following reforms:

First. A more thorough teaching of languages, with particular attention to a commercial vocabulary, in contrast with the literary vocabulary acquired by those who now study.

Second. That vocational education be directed along sane lines, co-operation of jobbing houses being secured, together with the co-operation of manufacturing establishments in order that the whole mass of business activity may be placed on an equal footing, avoiding the tendency to send too large a proportion of graduates into manufacturing lines of occupation after they leave school.

Third. That a systematic effort be inaugurated in the schools, supported by the credit men and carefully supervised by the credit men, to teach the coming generation the picturesque or romantic side of com-



JOHN M. CALLANDER
Tone Bros., Des Moines, Iowa
Director and Chairman, Legislative Committee

mercial life in order that the new citizenship of the near future may feel that in commercial life there is as great an opportunity to win distinction, public gratitude, public recognition, as in any other line of occupation, the resultant effect being not merely to encourage more young men to study systematically to prepare themselves for a commercial life, but to get rid of the old-world idea that a social handicap is assumed through entrance into a commercial life.

Fourth. That the whole influence of this great organization be concentrated in an effort, through the proper channels, to force greater attention to the teaching of morals and manners in the public schools and in all educational institutions, on the ground that in a country where, as regards the majority of actions, the man must be a law unto himself, our success as a republic rests upon our knowledge of what is necessary to facilitate commercial intercourse, and a heartfelt desire to do that which shall make our business relations mutually helpful and mutually pleasure-bringing. It is the business of the business community to lend the aid of its practical experience to those who, guided only by theory, are charged with the high duty of preparing the new generation for the serious work of life. (Great applause.)

W. M. Coulter, Baltimore—On behalf of the Baltimore Credit Men's Association, I move you that this convention give a rising vote of thanks to Mr. Cattell for the able, masterful and entertaining address he has given us.

Motion seconded and carried unanimously, amid applause.

Secretary Tregoe—Mr. Perkins of the Daily Trade Record asked me to announce, although I thoroughly dislike introducing it here, but I must, I believe, out of courtesy to him, that this morning two receivers were appointed for the H. B. Clafin Company. There is a little wildness of rumors on the street, it being given out in some quarters that the liabilities will approximate \$80,000,000.

A telegram from Arthur Parsons, a well-known figure at our conventions: "Kindly convey to the officers and delegates present at the convention my sincere regrets that I cannot be with you. I send greetings to all, with best wishes." (Applause.)

Our old friend, Henry M. Obendorfer, of Cincinnati, one of the old guards of the association, regrets his inability to attend the convention.

The Beech Nut Packing Co., located not far from Rochester, invites the delegates and visitors to inspect its plant.

I want to say that you cannot appreciate what an effort it is to get together a program for a convention, and it will be a tremendous assistance to the incoming administration and to me if you will tell us what in this convention has pleased you and what has not met your ideas. Tell us, do not tell the other fellow. It will help in getting even a better demonstration of wit, humor and education in our next convention.

A. H. Burt, Buffalo—I have been delighted and highly entertained by all of the addresses this morning, and I was especially interested in the address of the secretary of the Canadian Credit Men's Association. While there is an imaginary political line dividing us, I believe that we all feel, and that we should so express ourselves, that this Association should here go on record in no uncertain way that we feel in our work and in their work, and in what we have to do and what they have to do, we must work together, that there is not even an imaginary line dividing us. We should here extend our Canadian fellows a vote of thanks for having come here and assure them that we are with them, as they are with us. (Great applause.)

Motion seconded.

Motion put and carried by a rising vote, amid applause.

A recess was here taken until 2:30 o'clock P. M. same day.

THIRD DAY

Thursday, June 25, 1914.

AFTERNOON SESSION

President Salisbury—The first order on our program is an address, "Our Responsibility to Prosecute Commercial Fraud," by E. F. Sheffey, Lynchburg, Va. (Applause.)

Mr. President and Gentlemen of the Convention: I wish first, before entering upon the address which I have been invited to deliver on this occasion, to express my very hearty appreciation to those having charge of the program for the honor they have done our little association down in old Virginia in giving us two representatives on the platform during this convention, one of them the present speaker and the other Lynchburg's favorite and honored son, Congressman Carter Glass, who appeared before you yesterday.

The subject of banking and currency was a very live question at last year's convention in Cincinnati. At that time I called your attention to the fact, a very unique fact, I think, in the annals of congress of this country, that Lynchburg, a little city down on the James in old Virginia, which, according to the latest United States census, had a population of less than 30,000, had given to the congressional halls of this country, the chairmen of both the lower and upper house committees charged with the duty of putting through a new banking and currency law; the Hon. Robert L. Owen being a native of Lynchburg and the Hon. Carter Glass being a citizen of that city. I also called your attention to the fact that the man sitting in the White House, untrained as some thought, was born but twenty miles north of that city. Last year you sent telegrams to congressional committees urging the necessity of a reorganization of the bank system of this country. Yesterday afternoon you heard from Congressman Glass his report of stewardship, as it were, and right royally did you receive him. And that law, largely written and framed by him, passed by the Congress of the United States, signed by the President, will very soon go into effect, and, if predictions be true, the end of currency panics in this country is at hand.

It is a source of great pleasure to me always to go to the meetings of the National Association of Credit Men. I remember the first I had the pleasure of attending in New York in 1904. Some of the men I see here about me were in that great convention.

I remember the chairman of the entertainment committee coming into the hall one of those June mornings and we saw that there was trouble on his usually bright and happy face. He made the announcement that the steamer General Slocum had been burned to the water's edge, and that a thousand souls had gone out into eternity, and on the east side, for blocks, there was not a home that did not display crape as an evidence of sorrow because at least one member of the household had gone from time to eternity. We were horrified when he stated that that same steamer was the one that had been chartered to go up the Hudson the next day with the credit men there present. He announced at the same moment that another steamer had been chartered, and that we would go nevertheless. The next morning bright and early we were aboard the ship, and on that convention day I witnessed the most eventful sight I have ever witnessed in all the days of credit association work. A minister had been invited to go aboard. By some mistake he failed

to reach the dock in time. The president of the association at that time is now our honored secretary and treasurer. On calling the convention together, the men stood with bared heads, and, in the absence of the man of God, set apart for the specific work, Harry Tregoe led the convention in prayer—prayer to Almighty God of thankfulness that we had been spared from watery graves; prayer that we might be protected during that day; and that this association might during the years to come be helpful and uplifting in all of its work. It was the most beautiful sight I have ever seen. I thank God for men like this, who have stood back of this work from the very beginning. (Applause.) I thank God they have seen the many signs of similar import, for, after all, it has been emphasized in our work that character is the chief asset, the chief thing.

I see several of the men about me who in the early days of the convention used to come here and write notes back "to the girl left behind." They came later, bringing the girl as wife. Some of them are here to-day with their daughters. How rapidly time flies. Speaking of the daughters, may they long live, and the wives and the sweethearts may they long live to broaden and brighten our lives and rule us. (Applause.)

Down in Virginia we had a state senator who was a politician all right; he was very conservative, as some of these Democratic politicians are. He was approached by a suffragette to support in the senate a bill to give equal rights to women on the subject of voting. He said, "Let me see if I understand this just right. As I understand it, what you propose is to give the men equal rights with the women; if that is it, I am for the bill." (Laughter.)

Our Responsibility To Prosecute Commercial Fraud

AN ADDRESS BY EDWARD F. SHEFFEY, LYNCHBURG, VA.

Gladstone once said the object of government should be to make it easy to do right and hard to do wrong. One of the primary reasons in my judgment for the existence of the National Association of Credit Men is, that the proper, safe and honest conduct of business may be assisted and dishonest business methods made difficult of employment.

From time immemorial dishonest men employing dishonest methods have secured goods and chattels belonging to others. Many men and some women have, judging by their acts, resolved to live by their wits, reversing the Bible declaration that "*Man shall eat bread in the sweat of his face.*" In the very front of this army is to be found the fraudulent debtor class. These persons are parasites on the business body and should be removed even though the surgeon's knife of publicity and prosecution must be employed. I say this not in anger or with malice. My feeling is not one of revenge but of correction and reformation. I say it reverently, quoting from "The Book": "Whatsoever a man soweth that shall he also reap." Too often in the past have these offenders gone unwhipped. In fact various conditions and causes have heretofore operated to make it almost impossible to prosecute successfully those who violated both the laws of God and man in securing that which did not belong to them and appropriating it to their own use.

More and more our country is coming to recognize that we are one indivisible whole. There is both a "New Nationalism" and a "New Free-

dom" and there is also, as I see it, a "New Country." In my judgment the National Association of Credit Men has been a very powerful factor in welding together the forces which make for clean, straightforward and honest business, not only among its own membership, comprising over a hundred branches and 18,500 representatives of business houses scattered throughout the United States, but in all the marts of trade, on change and in manufacturing industries. In the light of its past history and achievements and its present standing, our organization is, in my judgment, pre-eminently *the* organization which is called to what might almost be designated the most important work we can at this time consider, namely the *prompt* and effective creation of an *adequate fund* to prosecute commercial fraud.

Truly this is a task not for a local city organization, a group of local city organizations, a state or a group of states, but it is a task which should be resolutely taken up by the National Association of Credit Men. I am sure there is not within the sound of my voice a single member of this organization who has not felt at times the very great need for some strong power which could properly be invoked to challenge conditions and ferret out and prosecute those who have taken advantage and as truly defrauded creditors as if they had *looted the safe* of those extending the credit. You all know the almost insurmountable obstacles in the way of any company or even a number of companies getting together and taking effective steps to prosecute these wrongdoers. You have felt and I have felt that if there could be some dominating figure in the commercial world, some great *policeman*, or *argus-eyed* detective whose towering form would light upon these commercial buccaneers and bandits and threaten annihilation, we would all feel much safer.

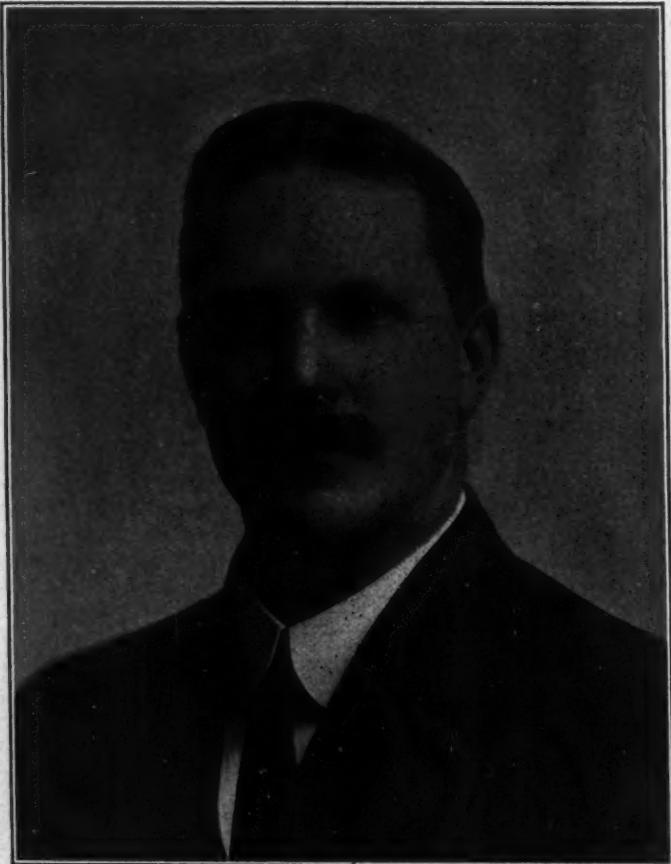
I believe if the Association will organize and carry to successful conclusion the thought we have in mind, the mere fact that the National Association of Credit Men, with a one million dollar investigation and prosecution fund subscribed, stands ready to run down commercial crooks and freebooters, this knowledge when widely disseminated will have much the same effect upon these citizens of the *commercial underworld* as does the sign we have all noticed in the jeweler's window bringing out the point that a price is on the head of every burglar who dares tamper with the contents of the store within. Truly "an ounce of prevention is worth a pound of cure," and I believe if it were possible to assemble a million dollar prosecution fund, the knowledge that the fund had been assembled and was ready for use, even though *not a single case was actually prosecuted*, one-half the dishonest statements and fraudulent failures resulting therefrom would be abolished. *Many believe a large navy is a guarantee of peace.* I believe a large fund of this kind will go a long way toward guaranteeing comparative peace along these lines in the commercial world.

But says some one, it will be difficult to assemble the fund. Sure! "There is no excellence without great labor." One of the greatest teachers I ever had was wont to say "What should be done can be done," and many times I have heard him say "Sheffey, I like to do the impossible."

I believe this Association with the magnificent record of achievement back of it for almost two decades, a record of plans, progress and fulfilment equal to if not surpassing the record of any commercial organization in this or any other country, I say, I believe this organization can accomplish *whatever it sets out to do*. Once let it become convinced that

we need this fund, and that we propose to put our 18,500 broad pairs of shoulders back of the plan to raise it, and there is no power on earth which can stay the onward progress of the movement.

This is hardly the time and place to discuss detailed methods to be employed in bringing to pass so desirable a result as that contemplated. However, if I may be pardoned for suggesting it, *the Young Men's Christian Association*—that mighty young giant, ally of the church, and friend of every civic movement for the betterment of human conditions, has given this country an exhibition of skill and prowess in the raising



EDWARD F. SHEFFEY
Craddock-Terry Co., Lynchburg, Va.
Director

of gigantic sums for its work unequalled in the annals of social service. Many if not all of you are familiar with the methods that association employs. For months in advance of the date set for raising funds, most carefully laid plans are perfected and then in a whirlwind campaign, usually covering about a week, hundreds, thousands and even millions of dollars are raised. Why should not the National Association of Credit Men through its board of directors or a specially appointed committee,

either or both, plan for such a campaign reaching every city and each individual member of the Association?

Teams could be organized for solicitation of subscriptions or the securing of pledges. For weeks and even months in advance, *publicity programs promulgating progressive plans for the propagation of the idea could be employed.* Contests between contiguous cities, sections, states, etc., could be inaugurated. A special week could be designated by the Association as "Prosecution of Fraudulent Debtors Week" and a tremendous amount of advertising obtained prior to the beginning of said week. Arrangements could be made in advance with all the Associations to telegraph to National headquarters results of each day's work which could be tabulated and succinct reports given the Associated Press and other press associations and thus call attention every morning through the dailies of the country to the great campaign being waged to secure a million dollar investigation and prosecution fund by the National Association of Credit Men. Thus would be secured a wonderful amount of publicity and fraudulent debtors would suddenly be brought face to face with "a condition and not a theory" and be made to "*Stop—Listen,*" before crossing the *track* into fields of dishonesty and theft.

If such a campaign should be promulgated and vigorously carried out, I believe before our next annual convention twelve months hence is held, we will have crossed over from doubt and uncertainty to assurance and victory on the subject.

But some will say, "Suppose the fund were raised and in hand, what then?" It is true many persons and organizations have creative power and lack the faculty of administrative genius and vice versa. Not so with the National Association of Credit Men. I believe our Association has not only the power to organize but to administer. *Witness its past record.*

Of course, a very comprehensive and thorough plan of organization and operation of the new department of investigation and prosecution should be adopted by the board of directors of the National Association and any special committee elected or appointed to handle in conjunction with the board this great department. Pains should be taken to co-operate with all the local branches of the National Association. Each local association should be made to feel its responsibility for co-operation and one or two fraudulent debtors prosecuted by the National Association within the bounds of each local association's territory, proper publicity being given thereto, would prove, in my judgment, tremendously effective.

You will note I put much emphasis on publicity. Ever since the Creator seeing that darkness brooded o'er the face of the earth, said "Let there be light and there was light," light has been the enemy of darkness. Publicity in the political and business world is the great light to scatter the darkness of ignorance and wrongdoing. Again I would emphasize my belief that if the available channels of publicity are employed in raising and administering the great fund proposed, and *this should be brought about by action of this convention,* this meeting will go down in history as one of the most constructive and helpful in the life of our great organization. To this end let us give a *strong pull, a united pull, a PULL ALL TOGETHER* and VICTORY WILL CROWN OUR EFFORTS.

President Salisbury—We shall now listen to the report of the Investigation and Prosecution Committee, J. Howard Edwards of Youngstown, Chairman. (Applause.)

Mr. Edwards—Before I read this formal report, I know you will permit me to express a word of appreciation for the comprehensive and inspiring address made by Mr. Sheffey upon the necessity of this Association establishing and maintaining an adequate prosecution fund. We are certainly under very great obligation to Mr. Sheffey. (Applause.)

Report of Investigation and Prosecution Committee

To the Officers and Members of the National Association of Credit Men.

GENTLEMEN:—

Your Committee on Investigation and Prosecution has had an interesting year in supervising the administration of a small prosecution fund derived from the sale of advertising space in the Association's Bulletin.

For a reason beyond the explanation of your committee or the National office, the sale of Bulletin advertising space has not come up to the expectations of the committee which advised, at the Boston convention, this method of obtaining a national prosecution fund, and at present there is scarcely any demand for space.

Though the income from this source has been disappointingly small and altogether inadequate for the purpose, nevertheless your committee has not detected any disadvantage to the Bulletin or to the Association through its advertising, and feels that every reasonable encouragement should be given by the offering of attractive rates or some change in the Bulletin form that would make it a more profitable advertising medium to those manufacturers, distributors and enterprisers whose advertisements may be accepted under the rules adopted by your board in the fall meeting of 1912.

It soon became evident that our income would not prove sufficient to undertake prosecutions single-handed from the National office, and that the fund could only be used to co-operate with prosecutions undertaken by local associations or committees of creditors.

The general rule controlling the disposition of our first national fund was that no prosecution case be undertaken unless there were presented sufficient evidence of commercial fraud reasonably to sustain and warrant a conviction. It was discovered by your committee in using the small fund available for prosecution purposes this year, that better results in prosecuting commercial fraud might be obtained by assisting investigations whereby important and convincing evidence might be secured, and then depending upon local prosecuting officers to use the evidence thus gathered in conducting the prosecution as a proper responsibility of the state.

The fraudulently inclined usually cover up their tracks or attempt to do so and investigation conducted with great skill is required to lay bare their purposes and to locate such evidences of fraud against creditors as would be accepted as sufficient for the state's prosecution or a prosecution undertaken by United States district attorneys for offenses against the fraud sections of the bankruptcy law.

Your committee authorized the expenditure of sums in the aggregate small, but its appropriations brought excellent results, causing your committee to feel that the ability to assist in even a small way was valuable to honest business and helped to punish the perpetrators of commercially fraudulent schemes.

To recite in brief just what your committee has done with the fund at its disposal:

There was assistance given to our branch in Wichita for the prosecution of certain offenders in a Kansas case. The results were successful.

The Buffalo association undertook to apprehend three foreigners who had perpetrated a dastardly scheme upon several of our members in that city, and in their efforts, the Buffalo organization incurred a very heavy expense, considerably beyond the abilities of the association immediately to assume, as it had no prosecution fund. Your committee gave to this effort its largest appropriation of the year, but again the results were all that could be reasonably expected and justified the appropriation.

An investigation undertaken by the St. Louis adjustment bureau, following through many ramifications, led eventually to detection and apprehension of a confederation embracing about twelve crooks; confessions obtained from them indicating that a cleverly planned scheme had resulted in bankruptcy fraud involving, through a period of several months, at least half a million dollars. Your committee largely financed this investigation—though the amount involved was not large—which led to the detection of the conspirators and it is fully expected to their complete undoing.

There was committed in Des Moines a dastardly bankruptcy fraud claiming the interest of the adjustment bureau in that city and through assistance given that bureau, an investigation was undertaken which resulted in the apprehension of several offenders, to be followed, it is believed, by their eventual conviction.

A small dealer in Kansas City departed without advising his creditors. There was every earmark of premeditated fraud, and he was apprehended in Los Angeles. Your committee assisted interested members of the Kansas City association in this work and in bringing him to trial in that city.

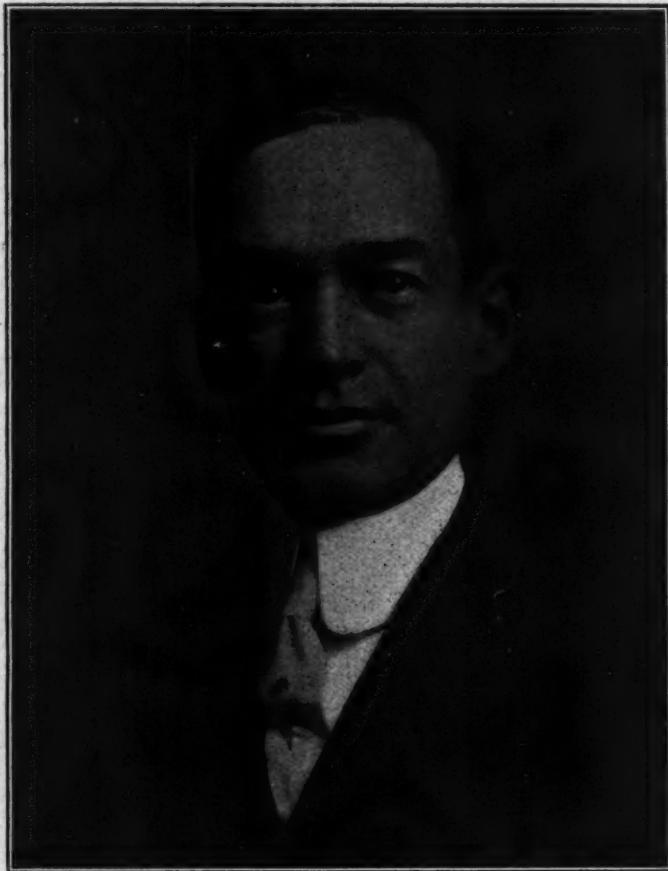
There is an interesting case still pending in Uniontown, Pa., where, in behalf of an individual member in Clarksburg, W. Va., assistance was given to the prosecution of two conspirators who had spirited away merchandise. Both of them were convicted, and there is now pending a motion for a new trial. Your committee believes that even though a new trial is granted, the offenders will be ultimately punished.

Summing up these cases carried through with small expenditure, quite a number of offenders were apprehended and brought to trial with every prospect of their eventual punishment.

The entire fund is not exhausted. Added to this report and submitted as a part of it, is a statement of receipts and disbursements showing the balance remaining, against which there are to be sure several outstanding obligations, but none of consequence.

Concurrent with this administrative work of your committee was the consideration given by a special committee appointed by your board of directors at its St. Paul meeting on October 2nd last, as to the advisability of raising an adequate national prosecution fund. That committee will offer brief recommendations following this report, and while there has been no direct intercourse between the two committees, yet in all likelihood a similar conclusion has been reached by each.

Your Committee on Investigation and Prosecution feels deeply that there should be a prompt effort made to create and properly use an adequate fund for the prosecution of commercial fraud. It will not venture to suggest how extensive this fund should be, but proper and effectual work cannot be done unless the income each year for prosecution purposes exceeds \$25,000. Unquestionably the use of such a fund and a nation-wide knowledge of its existence will throw fear into the hearts of the commercially fraudulent and cause them to think often before a



J. HOWARD EDWARDS
The Edwards Co., Youngstown, Ohio
Chairman, Investigation and Prosecution Committee

scheme is put into operation for the purpose of defrauding merchandise and money creditors.

If such a fund is created it should, in the opinion of your committee, be generously used in co-operating with prosecution undertaken by local associations and committees of creditors, and exclusively by the committee or the National office. Every local association sufficient in numerical size to warrant the raising of a local prosecution fund should be urged to do so, and several associations situated close to one another geograph-

ically and with a close identity of mercantile interests could join together in raising such a fund and have its administration centered in a committee representing each unit of the group.

It is high time now, in the judgment of your committee that there should be roused a strong enthusiasm and a nation-wide effort for the elimination or reduction of bad debt waste through commercial fraud and the standard uplifted and defended for honest practices in our commercial commonwealth.

Your committee begs to offer the following resolutions:

I

"Resolved, That the system of selling advertising space in the Association Bulletin be continued, that every effort be made to attract proper and desirable advertisers through such rates or rearrangement of the Bulletin form as would make it more attractive and give a better income for prosecution purposes.

II

"Resolved, That the balance now remaining in the prosecution fund and such further income as is received during the coming year from the sale of advertising space in the Bulletin be used for creating, by subscription or other means as is determined upon by this convention or the board, an adequate prosecution fund.

III

"Resolved, That the National Association of Credit Men in convention assembled takes a strong stand against commercial fraud and in favor of undertaking every reasonable effort for its reduction or elimination.

IV

"Resolved, That there be created under regulations adopted by the national board an adequate fund for the prosecution of commercial fraud, and that the members of the Association be urged substantially to assist in quickly realizing this important purpose.

V

"Resolved, That all local associations sufficiently large to warrant the effort, be urged to raise a local prosecution fund in the use of which in prosecuting commercial fraud the national fund may co-operate; and those associations not sufficiently large to warrant the effort, but sufficiently near each other geographically or sufficiently identified in mercantile interests, be urged to join together in raising such a fund, same to be administered through a committee representing each association in the group."

Respectfully submitted,

C. J. STROUSS,
W. H. MUENCH,
CHAS. FEILBACH,
GEO. D. MAXWELL,
J. HOWARD EDWARDS, *Chairman.*

PROSECUTION FUND.

Gross Income from Sale of Advertising Space in the BULLETIN from April 25, 1913 to June 1, 1914.....	\$4,260.81
Deduct cost of printing during same period.....	1,165.59
	\$3,095.22

Net income expended to assist prosecutions:

Wichita	\$150.00
Buffalo	600.00
St. Louis	300.00
Des Moines	250.00
Kansas City	100.00
	\$1,400.00

Balance remaining in fund \$1,695.22

President Salisbury—The open parliament on this report and resolutions will be by S. F. Miller of Baltimore, and W. J. Hutton of St. Louis, Mr. Miller leading.

Mr. Miller—The next time I am asked to talk to the convention of credit men, if I am asked, I am going to insist on talking to you on the first day, because the subject assigned gets threshed over in a number of reports and discussions. All of our thunder on this particular subject has been stolen. The speakers have told you how to prosecute for fraud. I am going to offer you in my short talk two thoughts to take home. One of them was touched upon by a speaker this morning, Mr. Cattell, of Philadelphia. Speaking about the responsibility of prosecuting commercial fraud, I am reminded of an article appearing in the *Saturday Evening Post* some time ago, which caught my attention. It was an article written by Montague Glass, in which he makes Abe Potash say to his partner Perlmutter, "The sun shines free for everybody, Mawrus, excepting the feller in the raincoat business."

My brother credit men are working very diligently to make sunshine for everybody who has anything to do with credits, either extending or receiving, excepting "fellers" in the fraudulent failure business. This feller should be placed where he can only see the sunshine from between the bars, and the more convictions for fraudulent failures the more sunshine for hundreds who will be deterred from wrongdoing if they have the knowledge that the strongest body of business men in the United States will be after them.

Unfortunately in this broad country of ours there is hardly a day passing but that our attention is called to some fraudulent failure. Every credit man is concerned in the prosecution of any man who pulls off a fraudulent failure.

The National Association of Credit Men and its branches have for years been advocating preventive measures and many of the states have adopted laws that have been fathered by our Association, which laws have largely been of a preventive character and such as look to the betterment of credit extensions.

Now we are not prosecuting attorneys and we are not hungry for convictions; however, when fraud is apparent, prompt and thorough investigation must be made and prosecution follow when proofs are sufficient. Every credit man is responsible to his fellowman and should make himself a committee of one to investigate every failure in which he is

interested and, finding fraud, should immediately notify each creditor and take prompt and firm steps to bring the offender to the bar of justice.

I will concede that 90 per cent. of the credit men have their time thoroughly occupied and this loss of time is often their excuse for condoning wrongdoing, but the day is at hand when every man, and particularly every credit man, must recognize his duty to his brother and his duty, as I see it, in the world of credits is to purge this country of fraud in commercial transactions.

We have not only to deal with the fraudulent debtor but with the legal brain that aided in fixing up his deal, for all will concede that the unprincipled lawyer figures largely in many fraudulent transactions.

While I am talking about this character of attorney, I want to say a word about the bankruptcy lawyer, the lawyer in bankruptcy for the fees, who puts a debtor into bankruptcy when he could have been saved by a little guiding directed either by the creditors or one of our adjustment bureaus. These men who engineer the steal and who are throwing the poor devil into bankruptcy without a chance must be driven from the business and the credit man is the man to do it.

You credit men with your tremendous power—a power so big that but few of you conceive of its strength—should be the lever in this business of purifying commercial and legal transactions. Every state in the Union, with possibly the exception of one or two, has put laws on the statute books because you forced the issue; you were strong enough to prevent the repeal of the bankruptcy law several years ago, when hundreds of lawyers all over the country were trying to take it off the statute books. You were strong enough to force amendments to this same bankruptcy law which strengthened it. You are so strong that every district attorney will give you a most respectful hearing when you bring a case before him, and during the last twelve to eighteen months a number of cases have been handled by United States attorneys when the credit men have presented their evidence.

I want to read two clippings taken from late issues, and one is as late as June 13th, of the *Daily Trade Record*. The report is from Chicago:

"In an effort to contribute towards the elimination to a certain degree of fraudulent bankruptcy cases in Chicago, District Attorney James H. Wilberson announced that a new department would be instituted in his office. This department, which will be operated in the nature of a bureau, will be under the supervision of Assistant District Attorney Flemming, who will investigate off-color bankruptcy proceedings. Special attention will be given to cases where false financial statements sent through the mail play a part. The District Attorney asks the co-operation of various attorneys who represent wholesale merchants throughout the city and elsewhere for the purpose of maintaining an efficient bureau."

Another from New Jersey, in connection with concealment and removal charges:

"United States District Attorney Davis has expressed his determination in a letter to Referee in Bankruptcy Adams to prosecute every case brought to his attention. Mr. Davis' letter, which will be sent to all the referees in the State of New Jersey, is as follows: 'I beg to call your attention to the necessity of strictly enforcing in this district the provisions of the bankruptcy law. My attention has

been called in a number of cases to the flagrant violation of the law and to the concealment of assets. The determination has been reached in this district that bankrupts shall not violate the law with impunity. Within the past four or five months several bankrupts have been convicted of concealing assets and in every instance have been imprisoned, in some cases the minimum penalty being imposed. There are now a number of cases pending for the same crime in this court. I am writing to ask your assistance in detecting these frauds. Therefore, if you suspect concealment of assets, or any other violation of the law, I shall thank you to report the case to me immediately."

Now this is one of the results of the work that the credit men have been doing in the last five or six years, and you should all feel honored in the constructive and educational work that you have been doing. Now if you are strong enough to do all this, you have it within your power, as members of this Association, to enforce the prosecution of every fraudulent failure.

When Secretary of State Bryan was in Baltimore in November, 1913, he spoke to the largest body of credit men that was ever assembled in our city at an annual banquet. After touching on Panama and its opportunities, presidential policies, etc., he preached a short and beautiful sermon, the purport of which was to prove that no man could be a broad-minded, useful citizen whose time was unreservedly devoted to his business and who did not give of his time to some definite object having for its end the uplift of his fellowman.

To strengthen the cause of the credit man, I call on every one of you to give of your time to the upbuilding of the prosecution fund and to the management of same after you have raised it, that we may each do our share in publishing to the world that the credit men are combined in this prosecution fund to prevent unjust and fraudulent business transactions. Every man can so arrange his work that he can give an hour in each week to the work of the Association, and I venture to predict that if the eighteen thousand, five hundred credit men would put in that many hours a week in the work of any particular department in which his branch is interested, the membership would double inside of twenty-four months and the power for good, both in advancing credit methods and preventive measures, would be increased so largely that your directory of members would be a directory of every extender of credit in this broad land of ours.

We should ask ourselves, Can we check commercial fraud? I believe that this great body of men can successfully undertake a campaign which would be felt throughout this country, making known in no uncertain terms that each and every fraudulent debtor will be prosecuted to the limit, that each and every unworthy lawyer who aids in such failures will be exposed and that our funds will be used to the limit to bring such attorneys before the local bar association on a charge which would bring them disbarment.

Are not the credit men the logical body to prosecute commercial fraud? Is it not the duty of the credit man—the individual—to unearth fraud? His duty to his employer and to his fellows to expose the rascals who perpetrate the "steals?" Is he responsible to every extender of credit to use his best endeavors to eliminate commercial fraud? I appeal to you to be firm in your determination to do your duty in this matter. Time must be taken from your office—energy displayed in getting at facts

—there must be insistence on co-operation among involved creditors in every case. Duty well done will bring added respect—from self and from others—you will grow larger in experience, more valuable to your firm and a better man for having done your duty and for having shouldered your responsibility. I thank you. (Applause.)

President Salisbury—The next speaker in this open parliament is W. J. Hutton of St. Louis. (Applause.)

Mr. Hutton—Investigation and prosecution of fraudulent failures is a matter that has been sorely neglected by the business interests for many years. In the meantime, commercial frauds and parasites carrying on their activities deliberately stealing our merchandise, and we have stood by calmly watching case after case and oftentimes saying to ourselves "The rascal ought to be sent to the penitentiary." This class of fellows is very shrewd and cunning. They have well-laid plans to defraud the creditor before he has placed an order; or, possibly after having been in business for a number of years, the debtor becomes financially embarrassed, in various ways gets into trouble, and he starts to hatching out some plans whereby he can close out the business, pocket all of the ready cash that he can get his hands on, ship out as much of his stock as possible without creating too much suspicion, to a confederate or relative in another city, and then leave what remains of the wreck for his creditors.

A great many of us have had experience along these lines and know full well that we have been defrauded, but are somewhat timid or reluctant to go after the robber and bring him to justice. This is particularly true where the amount involved is of small or moderate amount. We figure that the expense of prosecution, time consumed, etc., would be more than the amount involved is worth.

My attention was recently called to a case showing a startling condition of affairs. It was one in which the debtor was getting away with his ill-gotten gains, and besides there was evidence of collusion between the trustee, attorney and one of the large creditors, a bank. The case was despicable from start to finish. A number of St. Louis leather and shoe houses are interested in this case, it being a retail shoe dealer located in a southern city. This party has been buying in St. Louis and Louisville and in January last made an assignment for the benefit of the creditors and offered to make settlement at twenty cents on the dollar. At that time the assets, consisting of rubbers, shoes, fixtures and machinery, at cost price amounted to \$2,000; liabilities \$5,000. Previous statements sent out by this dealer had always shown a good healthy margin of assets over liabilities, but this condition very suddenly was reversed and stock showed heavy shrinkage. Bankruptcy proceedings were instituted by the creditors and judging from the letters that have been handed me, there is no doubt that this debtor is guilty of gross fraudulent transactions, shipping away goods and hiding his assets among relatives; if the matter were followed up he would be convicted of the crime of which he is guilty and made to stand the punishment provided by law. The first and final dividend on the above estate amounted to about 15 per cent. This kind of business is not only bad for the creditor but imposes hardships on the honest merchant for the reason that with the recollection of fraudulent transactions as above indicated fresh in the minds of the creditor, he is not disposed to be as liberal or extend courtesies that otherwise might have been granted.

There is another case that I would call to your attention, that is, what has been termed "The Million Dollar Swindle," by a gang which

has been systematically robbing merchants in various parts of the country. The case I have reference to is the Great Western Jobbing House established in St. Louis in October, 1912, and the firm of M. M. Lubovitz & Co., East St. Louis, February, 1913. This case has been given wide publicity. The parties were traced to Philadelphia, arrested, taken back to St. Louis and bound over for trial at the September term of court.

On investigation, this gang was found connected with twenty-five bankruptcies, of which eleven occurred in Philadelphia, the others being in St. Louis, East St. Louis, Trenton, Bound Brook and Atlantic City, N. J., Dover and Wilmington, Del., Carlisle, Harrisburg and Reading, Pa., Louisville and Baltimore. There were twenty-five persons connected with the swindle and every one except two had been through bankruptcy. Some of the men arrested in Philadelphia were wealthy, and great pressure, both political and otherwise, was brought to bear for their discharge. These cases and many others point clearly to the necessity of an organized effort to check the fraud in commerce.

The agitation for raising a guaranty fund for the investigation and prosecution of fraudulent failures was started in St. Louis several years ago, but at the same time the question of bulk sales law was up for consideration, and in order to give that matter full consideration and attention the guaranty fund was laid aside until Missouri might be placed in the column of states having this important statute.

The St. Louis committee, however, had succeeded in raising a little less than \$9,000. Last fall the matter of completing this guaranty fund was again taken up. Our committee went out among the merchants and banks, and while a number quickly responded to our appeal for assistance, it took considerable talk and explanation to convince some of them of the great good that would be derived from this fund. I take pleasure in reporting that St. Louis now has a fully subscribed guaranty fund of \$25,000 for the investigation and prosecution of fraudulent failures. We hope it will have a good moral effect as a warning to all crooks to stay away from St. Louis.

Let me now express the hope that every affiliated branch of this organization shall establish a guaranty fund and that by hearty co-operation and working in harmony with each other, great and beneficial results may come to every member. (Applause.)

J. E. O'Neill, Oklahoma City—I ask your indulgence for just a moment to say a word in passing regarding the subject that is under discussion. I have in the last two days listened with interest and a great deal of pleasure to the able and instructive addresses made at this convention, and I have listened with a great deal of interest to the reports of the different committees on the subjects assigned to them; but I want to say to you that in my judgment there is no subject so important to the credit men of the United States as the subject assigned to Mr. Edwards of Youngstown, the investigation and prosecution of fraudulent failures. (Applause.) I take this occasion to impress it on the minds of every credit man within the hearing of my voice that this subject should receive your closest consideration. While we have listened in the last few days to a great deal that was said about co-operation, I think the time has now come to put these suggestions into practice; this question of the investigation and prosecution fund has been before this Association at its different annual conventions for the last four or five years; and, with all due respect to what has been done in that direction, I hope that this convention will go on record for raising this fund and

making it a reality, because there is nothing that would strengthen the National Association of Credit Men so much, and make it so important a protection to the dealer against fraudulent failures, as having the commercial crook know that this Association is backed up by a national fund with which he can be prosecuted. (Applause.)

President Salisbury—The subject is not up for discussion at the present time and you have used the time which would be allotted to a speaker under other circumstances.

Mr. O'Neill—I understand; but I just asked the privilege of giving the members here to understand how important we feel this subject to be down in our country; and we know that we differ not the slightest from other states in the Union. I hope this question will be decided, and that this fund will surely be raised during the coming year. (Applause.)

Secretary Tregoe—With your permission, before we take up the resolutions I will read the report of a special committee authorized to submit a plan for the raising of a prosecution fund.

Last October, the board, in annual meeting, realizing the tremendous enthusiasm at Cincinnati over the million dollar prosecution fund, felt that they should do something definite, and the president was empowered to appoint a special committee of seven, presided over by him as chairman, to consider the subject. This is the committee's brief report:

To the Officers and Members of the National Association of Credit Men:

GENTLEMEN: At the annual meeting of the board of directors, held in St. Paul last October, the president was there authorized by unanimous vote to appoint a special committee to consider the desirability and best method of raising a million dollar prosecution fund.

Agreeable to this action the committee was promptly appointed and undertook its work of observation and consideration and now tenders the following recommendation: Inasmuch as the National Association of Credit Men has so constantly and enthusiastically voiced in conventions and general meetings the need of an adequate fund to prosecute commercial fraud, it is the belief of your special committee that the Association should undertake immediately to determine how substantial this expression is and whether or not the membership of the Association is willing to assist in raising and administering an adequate prosecution fund.

In pursuance of this conclusion the special committee offers for the consideration of the Association in convention assembled the following resolution:

"Resolved, By the National Association of Credit Men that an effort should be made to raise, through subscriptions from members, a fund of sufficient size to vigorously prosecute commercial fraud, and that the president of the Association be empowered and directed to appoint, with the approval of the board immediately after the Rochester convention, an Investigation and Prosecution Committee to consist of a representative from each of the local associations and one individual member, of which appointees seven are to be designated as an executive committee or board of trustees, whose duty it will be to develop a plan for the raising and administering of such fund."

As supplementary to this resolution, and for the guidance of the Investigation and Prosecution Committee, should its appointment be authorized by the convention, it is the belief of your committee that any plans adopted by the executive committee or board of trustees of the Investigation and Prosecution Committee should be upon a subscription

system in serial payments through a period of not less than five nor more than ten years, and upon an annual payment of not less than \$5 nor more than \$10.

Your committee further suggests that whilst the ultimate goal of this effort should be a total fund of not less than one million dollars, yet that the plan become operative when an income of not less than \$25,000 a year is pledged, and that all subscriptions be predicated upon the raising of such an annual revenue.

Your committee further suggests that when adopting a plan for the



J. G. DAVIS
Greiner-Kelly Drug Co., Dallas, Texas
Director

solicitation of subscriptions there should also be evolved by the committee a tentative plan for the administration of the fund so that subscribers may be made aware of the purposes of the fund and how it is likely to be used or applied.

Your committee endeavored to work out a plan of administration, but owing to the wide geographical location of its members, all considerations were conducted by mail and no plan was suggested that received

unanimous or even majority approval of the members of the committee. It was therefore deemed wise to leave the development of a plan for administering the fund to the executive committee or board of trustees of the Investigation and Prosecution Committee, which plan could be announced when the solicitation work was commenced.

Your committee earnestly recommends the adoption of the resolutions and suggestions by the convention.

Each of the resolutions offered by Mr. Edward's committee was then acted upon separately by the convention and unanimously adopted.

J. B. Dwyer, Buffalo—I move the adoption of the report in its entirety, together with resolutions. I take great pleasure in doing so. The Buffalo association has had some experience during the past year in carrying forward prosecution of considerable proportions, and we felt greatly the need for such a fund as it is aimed to provide in the resolutions. The National Association was very generous in aiding us, and it gives me great pleasure to move the adoption of the report and resolutions as offered. Seconded by Mr. Betterton of Syracuse and unanimously carried.

President Salisbury—We will now pass to the resolution offered by the special committee.

Secretary Tregoe—One who is very closely connected with this organization, and an officer, has smiled at me over this effort; says it cannot be done. I wrote him not long ago that it was a question of "Put up, or shut up," and we had better take it in that spirit. And now we put this resolution before you from the special committee:

"Resolved, By the National Association of Credit Men, that an effort should be made to raise, through subscriptions from members, a fund of sufficient size to prosecute vigorously commercial fraud, and that the president of the Association be empowered and directed to appoint, with the approval of the board, immediately after the Rochester convention, an Investigation and Prosecution Committee, to consist of a representative from each of the local associations and one individual member, of which appointees seven are to be designated as an executive committee or board of trustees, whose duty it shall be to develop a plan for the raising and administering such fund."

A. C. Carpenter, New Orleans—I desire at this time to move that the resolution as read be adopted.

E. F. Sheffey, Lynchburg—I second the motion. In view of what the secretary has said, I move that we express ourselves in a rising vote, to indicate that we are just as much in earnest about this now as we were at Cincinnati and that we are going to establish this fund.

President Salisbury—You have heard the resolution; are there any remarks?

J. H. Lempert, Rochester—Rochester is heartily in favor of the resolution, but I want to say a few words on this subject. For the past ten or more years that I have been attending these conventions I recall that we have invariably talked about prosecution funds, but this is the first time that we have gotten down to the real facts. The trouble with us, we don't use a statement for the purpose of prosecuting when we have it. My concern has a case in Ohio; the man made a statement; I brought together ten of the creditors and asked them to co-operate with me in prosecuting this man; one answered that he did not want to spend any money. It was about \$300. I have taken this matter up personally with my firm, and while the debtor owed something like \$1,200, our attorney will spend

\$500 to prosecute the man. (Applause.) Funds such as we plan to raise will assist in the prosecution of other debtors. Take the case of the Chesapeake Company of Baltimore, with three parties involved in jail. We found that the funds of the concern were stolen and put aside in various banks. The creditors by hard work got together, though they had to spend \$7,000 before they could proceed with the prosecution. What is the consequence? They put these men in jail, and \$17,000 was taken from these rascals. I think we all should join in rising to support this resolution. Rochester will have its mite in the fund. (Applause.)

Louis Fleisher, Philadelphia—I also have heard repeatedly at our conventions of the raising of a prosecution fund. We have constantly harped on what our subscriptions should be; we have called them voluntary. We all know what voluntary subscriptions are. I favor this resolution, but it does not guarantee any progress whatsoever before our next annual convention. I would favor in place of it, if it might be possible and does not interfere with our constitution, that each and every member of the organization for ten years put \$10 into that fund, and then we would realize a million eight hundred thousand dollars at least. I am not objecting to the resolution as given, but I say do not talk voluntary contributions; pass the hat and you will get nothing; insist and you may get something. (Applause.)

D. L. Sawyer, Milwaukee—A great many have had the same experience as our friend from Philadelphia. The great question at this time is the amount to be raised. We have talked about it many times, but unless you make the fund sufficient you will never get anywhere. The first proposition was to raise a million dollars by subscription, at the rate of \$100 each, payable \$10 a year. It is a very small amount for each member to pay. I can not believe there is a concern in the country which would not be willing to pay \$10 a year into the prosecution fund. A great many have the idea that it is to be a donation. That is a false idea. This \$10 a year should be charged to insurance, for that is where it properly belongs. Each and every one of you pay a premium every year for fire insurance; very few of you have a fire; very few of you ever collect anything; still you pay your premium and are glad to pay it. Why not pay this \$10 a year to insure your accounts against fraudulent failures?

A report was read here before this convention showing that during a certain time fraudulent failures occurred amounting to \$24,000,000. We can eliminate the larger part of that by a small donation of \$10 a year for ten years, and put that class of people out of business. I sincerely hope that this Association will raise this fund. Let us put it into operation at once. (Applause.)

John Sehler, Grand Rapids—I make a distinction between the use of the words "a sufficient fund" and this million dollar proposition. I concurred in the resolutions that were passed on the reading of the resolutions, that a sufficient fund be raised. I think if you put the million dollar proposition into it, you will scare all except the big cities, and I would suggest that the "million dollar proposition" be used very delicately in handling this matter.

Charles Reynolds, New Orleans—It is rather a hard matter for a credit man to obligate his firm to a \$10 subscription for ten years, and the committee whose recommendations are before us clearly took this point into consideration. We have threshed this thing out time and time

again. I move that the debate be closed and the motion to adopt the resolution be put to a vote.

A. C. Carpenter, New Orleans—I call for the previous question.

President Salisbury—The resolution offered by the special committee as a whole is before you.

J. H. Lempert, Rochester—I wish to inquire if it is specified that the proposed fund will not be available until a revenue of \$25,000 a year is subscribed?

Secretary Tregoe—That was not a part of the resolution, but a suggestion. The resolution simply calls for the raising of an adequate fund. First, that the president with the approval of the board, appoint an investigation and prosecution committee of one representative from each local, one individual member, and from the one hundred and four appointed seven be designated as an executive committee or board of trustees to formulate the plan and administer the fund.

Calls for the question.

President Salisbury—The previous question is called for. The chair calls for a rising vote on this question.

S. F. Henry, Burlington—Mr. President—

President Salisbury—The previous question has been called for, and I must put that question without debate. If the convention is agreeable, Mr. Henry, we shall be very glad to hear from you. I hear no objections.

S. F. Henry, Burlington—It seems to me that you have set the mark higher than is necessary. There is no question but that we can raise it to the point stated, but is it necessary to stipulate the limit? I move that the convention vote an assessment on each member, to be used for this fund, and our next convention can then decide.

President Salisbury—The motion is out of order, and the suggestion does not meet constitutional requirements. Are you ready for the question?

Calls for the question.

President Salisbury—All in favor of the resolution as offered by the committee will signify by a rising vote.

Motion carried amid applause.

Secretary Tregoe—if I happen, when the subscription work begins, to forget any of you who have voted I shall ask you to help my memory. (Laughter.)

President Salisbury—We are now somewhat behind in our schedule. The next address, however, is to be very interesting. It is from an old friend of ours, who thoroughly knows his subject. The address is on "Self Inspection as a Means of Decreasing the Fire Waste," by Franklin H. Wentworth, secretary of the National Fire Protection Association. (Great applause.)

Self Inspection as a Means of Decreasing The Fire Waste

*AN ADDRESS BY FRANKLIN H. WENTWORTH,
Secretary National Fire Protection Association.*

Mr. President, Ladies and Gentlemen:

When an American was in London last winter, his English friend took him on a visit to a wholesale house where they have one of those elevators that go up a story or two a week. After they had gone up two

or three stories, the American turned to the Englishman and said: "Why don't you anchor the lift and move the building up and down?" (Laughter.) The Englishman was silent until they got out on the top floor, and then he turned to the American and said: "How could you do that?" (Laughter.)

There are some questions that are easy to answer. The most baffling aspect of the fire waste is the necessity of talking about it. To the philosophical mind constructing a sane civilization, such preachments would appear as unnecessary as sermons on self-preservation. That we should have to teach and even implore men to look after and protect their own possessions, argues an ungrown and undeveloped citizenry. I can talk thus frankly to you credit men because we have campaigned so long together and because your profession equips you to see this whole problem exactly as I see it. You are in daily contemplation of human evasions.

Henrik Ibsen, the Norwegian dramatist, makes one of his characters declare that to have his life fabric rest upon a secure foundation a man must be free from over-refined self-criticism. This warning is not, as we assume, intended for the average man. His will is not weakened by contemplation of his deficiencies. He rather does not know he has them. It is this complacency in the face of unseized opportunity—nay, worse—in the face of responsibilities composedly ignored, that makes collective misfortunes of so long life. It was the poverty consciousness of Charles Lamb that divided for him all mankind into those who borrow and those who lend. So in contemplating a widespread public shortcoming we also are prone to divide men into classes, into those who assume responsibility and those who do not—into pilots and passengers. There are a good many passengers. The philosophic law that man accomplishes his desires with the least expenditure of energy is now commonly accepted. We have but one human attribute with which to combat this law and this attribute—pride of workmanship—we do not all possess.

I am increasingly amazed at the character of our business men as disclosed by their common neglect of their fire protection equipments and their obvious contentment with inferior housekeeping. The reports that come to my desk on automatic sprinkler equipments found crippled and inoperative from neglect, convinces me that it is a reduced insurance rate alone and no consideration either of prudence or humanity that commonly leads to the installation of automatic sprinklers. Once installed, the lower insurance rate once secured, the sprinkler equipment is figuratively consigned to the lumber room, and if it is to do its work the insurance inspectors must look after it. Whenever I find a sprinkler equipment with an empty tank or a closed valve and no one about who knows of it, I feel like calling for the police. One of the worst losses which occurred last year from an exposure fire might have been avoided if the window shutters had been closed. It was the habit of the management to close them every Saturday night, so the building was protected from its inflammable neighbor on Sunday. But the fool fire started on Thursday!

The fire commissioner of New York City has brought suit against a concern which disobeyed an order of the fire prevention bureau to install sprinklers. The fire occurred and because the order had not been obeyed a number of firemen were injured in fighting an ugly, stubborn blaze. The suit is for \$1,500 and is for the services of the fire department. It is an eminently proper suit and I hope Commissioner Adamson

may win it for it will be the first step towards fixing legal responsibility for easily preventable fires. This suit once won, I want to see another started against the first man who is found in charge of an important establishment with a neglected sprinkler equipment.

Our records, extending over twenty years, show that over ninety per cent of fires in properties equipped with sprinkler systems are extinguished by a few heads and a small loss or none. The failure of the others can be traced directly to human carelessness or neglect. There is no excuse for such an equipment being out of order. If repairs are necessary, special watchmen should be employed until the equipment is again operative.

There is no monstrous mystery in fire protection. For twenty years we have been creating a literature to equip every man to make his own inspections. We are about to bring out a manual on the "diseases" of equipment so that even the office boy can tell if anything is out of order. Self-inspection is the natural inspection. We should be made to look after our own property or else pay to our neighbors any losses they may suffer through our negligence.

There is nothing difficult about good housekeeping; but it is an achievement of character. Is it not true that when you find a man who keeps his place in ship-like order you usually find one who tries to pay his bills? Employees are prone to follow the example of the employer. If one is careless, the other will be. And yet employees can be divided as I have suggested, all society may be divided—into pilots and passengers. In every considerable group of employees there is at least one who has, either active or latent, the instincts of the pilot. There is scarcely ever a catastrophe in which some quiet workman does not exhibit natural heroism. Like attracts like. If an employer has character, he will have no difficulty in recognizing natural superiority among his men. He can instinctively pick out the pilots and when he finds one, all he has to do is to place responsibility upon him. Faculties develop with use.

The care and maintenance of a plant, that is, the housekeeping, is the feature of fire protection that can be understood by everyone connected with an establishment from the lowest to the highest. A system of inspection is an admirable vehicle for educating and organizing the entire force. Workmen always understand one another better than the employer understands them and will soon pick out the weak links in their own chain.

The first step is to pick out the pilot—or the inspector. A man with some knowledge of mechanical appliances is preferable. His first duty should be to post himself fully in regard to all fire appliances forming the protection of the plant, and second he should notify the chief of the plant fire department (or other official under whose jurisdiction it comes), whenever anything is found out of place or out of commission, in addition to noting the fact in its proper place on a printed report blank. Such a report blank, daily or weekly, according to the size of the plant or its special hazards, is imperative for systematic conduct of the work. It should be signed by the inspector and turned into the employer or superintendent on the day of the inspection.

I have never known such an inspection system to be first initiated in a plant without revealing conditions astonishing to the owners. This may be unflattering but it is true. It emphasizes the fact that if the head of the concern is concentrated wholly on chasing the elusive dollar, he

will not know where his hot ashes are put, and the sooner he places this responsibility upon some trustworthy employee the better; otherwise his pleasant calculations may be upset some morning by the difficulty of finding his desk among burned bricks and ashes. The man charged with the duties of inspecting a plant will have constant exercise of his faculties. He should report on the work done by the cleaning force whether under his charge or not; he should indicate in his report any rooms or sections of the plant which are not given proper attention by the cleaning force; he should see that all rubbish is removed daily and that all sweepings and other refuse are taken out of the building to some safe place by the cleaners before they leave the works; he should see that the workmen in their daily operations make use of the metal oily waste cans; he should see that all ashes are properly handled and removed from the building, prohibiting the use of any wooden receptacles; he should make note of and report on any hazardous stock such as chemicals, oils, etc., which are not being handled by the workmen in accordance with the rules of the company; he should report any instance of smoking or the carrying of other than "safety" matches, which comes under his observation, and see that "No Smoking" signs are in place; he should see that inflammable packing material is carefully handled and properly disposed of, that there may be no surplus exposed after quitting time.

This inspector should check over the watchman's records, and occasionally arrange to visit the plant unknown to the watchman at night time to check up his work; the inspector should take the time and trouble to explain to the watchman the use of the fire apparatus to such an extent that he, the watchman, can give the proper alarms and start in motion any of the pumps or other fire appliances which are not absolutely automatic; the watchman should be encouraged to assist the inspector by calling to the inspector's attention any conditions that he may observe during his leisurely rounds that would be of interest to the inspector in his work.

The inspector should examine all fire pails and barrels on each round, reporting any that are not full or contain foul water or are in danger of freezing. Whenever sand pails are provided and required in painting or oiling departments, the same attention as to cleanliness should be given, and he should also see that the proper scoops are in place for use in distributing sand. The chemical extinguishers should be checked up on each round to see that they are in place. They should be discharged, cleaned and recharged at least once every twelve months and there should be a tag attached to each extinguisher bearing the date when last recharged and stating by whom. The inspector should see that all fire doors, shutters or other devices for protecting openings in walls or floors are in good repair and in good working order. These should be tested at least weekly and all tracks kept clean and moving parts oiled and in easy working order at all times. He should examine the automatic sprinkler system, outside yard hydrant system, inside standpipe system including outside hose houses, hydrants, post indicator valves, ladders, lanterns, etc., to see that everything is in place, in good working order and ready for instant use. (For example, lanterns without wicks, without oil or without means for making a light would be useless.)

The inspector should accompany when possible the official inspectors when making their regular observations and tests. He should require that the visiting inspector explain in detail just what is recommended as the best practices by experts. He should co-operate with the insurance

representatives and should understand that perfect records at all times do not indicate the best service by the plant inspector, for the reason that no plant can be operated year in and year out without some of the ideal conditions falling more or less below standard, and the failure on the part of the plant inspector to report these conditions when they occur tends to discredit the value of his reports to an intelligent fire protection engineer.

The inspector and manager should both interest the department heads in general orderliness and cleanliness on the part of the help and should make each department superintendent responsible for his room or section, and the employer himself should make an occasional inspection of the premises or plant from a fire protection standpoint, that the importance of fire protection and maintenance may be impressed upon the help.

Care should be given the selection of a night watchman. In permitting a man to assume watch and care over property representing great values the owner should be particular to employ not only a strong and able-bodied one, but one who is trustworthy and honest. In addition, he should become familiar with and understand the operation of all means of fire protection and extinguishment. A night watchman having these qualifications is entitled to proper compensation, as the nature of his work and the long hours justly warrant. Too often it is found that the night watchman is a man unfit for such service—being old, crippled or infirm—and more worthy as a pensioner than qualified to assume the important duties of a caretaker. As much care should be exercised in selecting a night watchman as in securing a bookkeeper or engineer.

A watchman should not be overburdened with other duties, such as firing boilers, doing janitor's work, acting as messenger, or be given work which may prevent him from giving undivided attention to the plant under his charge.

I shall transmit to the stenographer for the purposes of the official record of your convention a model of an inspection blank which can be easily adapted to the uses of any establishment, and I would like to see this blank given a wide circulation at your hands in order that those who desire to perfect a system of self-inspection may be helped by it. Our manual for inspectors, which represents a labor of two years by one of our committees, will not be available until the Fall. When it is once issued, its value as a guide in self-inspection will be at once apparent. (Great applause.)

STANDARD REPORT BLANK FOR SELF-INSPECTION.

NAME

LOCATION

WATER SUPPLIES OR SERVICE.

VALVES (INSIDE GATES.)

Note.—All gate valves to be secured open with leather straps fastened with padlocks riveted or sealed and keys to be held by responsible parties. Each valve to be inspected by turning valve one turn to insure its being wide open and in good working order. Drip valves to be strapped closed in a similar manner.

Note.—Valves under approved supervisory system need not be secured.

List of Valves	Location.	Open. Yes. No.	Strapped. Yes. No.
1.			
2.			
3.			
4, etc.			

VALVES (OUTSIDE POST INDICATOR GATES AND VALVES IN PITS).

Note.—To be secured and inspected in the same way as inside valves.

List of Valves	Location.	Open. Yes. No.	Strapped. Yes. No.
1.			
2.			
3.			
4, etc.			

Give numbers of any of the above valves found closed, part closed, not strapped, closed temporarily at any time since last inspection.
Explanation.

Note.—Drip valves to be tested weekly.

DRY SYSTEMS. (AIR VALVES.)

Note.—Dry valves should be tested for water column and condition of spring at least every three months. Should be tripped at least once a year.

Note.—When system is first set, test for water column every few days.

List of Valves.	Location.	Air Pressure.
1.		
2.		
3.		
4, etc.		

Dry valve closet in good order and properly heated.....

Give number of any air system into which water has entered during week.....
Explanation.

Are hand hole plugs in place?.....

Is flanged dummy in place?.....

ALARM CONNECTIONS.

Note.—All controlling valves or cocks for alarm devices to be sealed or strapped open. Special instructions to be given regarding testing alarm valves.

VALVE CONTROLLING ALARM.

List of Valves.	Location.	Open.	Strapped.	Tested.	In Order.
		Yes.	No.	Yes.	No.
1.					
2.					
3.					
4, etc.					

Give numbers of any alarm devices out of service.—
Explanation.....

GRAVITY TANK.

Full Contents Frozen.....

Tell-Tale in Order.....

Condition of tank, hoops and supports.....

Remedied..... When.....

PRESSURE TANK.

Water Level.....

Air Pressure.....

Note.—Gage glass cocks to be kept closed except while inspecting.

STEAM PUMP.

Note.—Pumps should be given a thorough test with rated number of hose streams at least twice a year, spring and fall. They should be started once a week, and water discharged through relief valve or otherwise to make certain pump is in order.

Valves in steam connection from boilers to pump wide open.....

Minimum steam pressure for pump during week.....Started.....

Tested through.....hose streams.

Condition.....Supply of oil on hand.....

AUTOMATIC REGULATORS.

Regulator controlling valves wide open.....water pressure maintained.....Pump started and regulator operated at.....pounds.

ELECTRIC PUMP.

Note.—Pumps should be given a thorough test with rated number of hose streams at least twice a year, spring and fall. They should be started once a week and water discharged through relief valves or otherwise to make certain pump is in order.

Any interruption of current supply.....Condition of contact points on all switches.....

Started.....Tested through.....hose streams.....

Condition.....

Automatic controller in order.....Water pressure maintained.....

Supply of oil on hand.....

ROTARY PUMP.

Note.—Pumps should be given a thorough test with rated number of hose streams at least twice a year, spring and fall. They should be started once a week and water discharged through relief valve or otherwise to make certain pump is in order.

Started.....Tested through.....hose streams.....Condition.....

Supply of oil on hand.....

AUTOMATIC SPRINKLERS.

Steamer connection.....in place.....ready for service.

Any corroded, bent, whitewashed, gilded or painted, covered with dirt or grease, distribution of water from sprinklers obstructed?.....

Is there a clear space of at least two feet below the ceiling or roof, free from storage or other obstruction? Note any exceptions.....

Any operated since last inspection?.....Any additions needing sprinklers?.....

Any extra heads.....

FIRE PAILS.

NumberIn placeFull

STAND PIPES.

Water on stand pipes.....Equipment for same in good condition.....

CHEMICAL EXTINGUISHERS.

Note.—These should be recharged at least once a year.

Number in place.....Date tested and charged.....

FIRE DOORS.

- Closed and fastened night, Sundays and holidays and all times when not in use.....
Will all fire doors close easily?..... Will automatic doors close when weight is released?..... Note any fire doors in need of repairs.....
Automatic attachments in order.....

SHUTTERS AND WIRED GLASS WINDOWS.

- Closed and fastened nights, Sundays and holidays and all times when not in use.....
Will all shutters or windows close easily?..... Note any shutters or windows in need of repairs.....

HYDRANT AND HYDRANT HOUSES.

Note.—Each hydrant should be given a thorough test by flushing at least twice a year, spring and fall. One turn to open should be sufficient at other inspections.

Hydrants open easily..... Free from snow and ice and easily accessible.....

HOSE, PLAY PIPES, SPANNERS, HYDRANTS, WRENCHES, RUBBER WASHERS, AXES, LANTERNS, NOZZLE HOLDERS.

In their proper place and ready for use..... Condition.....

Note.—Each hose house or stand pipe can be numbered and reported upon separately.

ELEVATOR AND STAIR DOORS OR TRAPS.

In order and kept closed when not in use.....

Note any exceptions..... Condition of latches or other hardware.....

CLEANLINESS.

Oily waste well cared for..... Basements clean..... Yard kept free from combustible material..... Belt enclosure clean..... Clothes closets and water closets clean..... Shafting and bearings well cared for..... Clean under benches..... Note any suggestions as to possible improvements in cleanliness.....

Remarks and suggestions.

Signed,

Date.

Supt.

President Salisbury—The next order of business is the report of the Fire Insurance Committee, J. Edward Stilz, of Indianapolis, chairman. (Applause.)

Report of Fire Insurance Committee

To the Officers and Members of the National Association of Credit Men.

GENTLEMEN:—

The Fire Insurance Committees of the Association in the past years did their work well, determining upon a program appealing at once to men as practicable and inspiring, because it had to do not alone with the physical thing, fire, but with the mental attitude toward fire loss. Once let it be accepted that 50 per cent or more of our vast national fire waste

is directly chargeable to carelessness—the careless handling of matches, the storing of explosives and combustibles in large quantities where they menace other property, the acceptance of the litter pile, the unkempt cellar, factory, yard and storeroom as matters of course—and again let it be accepted that restoration by insurance is not restoration at all except perhaps to the policyholder at the public expense, then carelessness will become unpopular and men will recognize that the people, through their authorized agents, have the right to demand that careless methods shall cease.

A considerable percentage of our loss is caused by ignorance, by faulty construction, by accidents, which may be termed unavoidable, and these classes of fires call for technical treatment; but most fires are avoidable and all but a small fraction of the avoidable are due to the sheerest carelessness, and it is to reduce the loss coming under this head that this Association has dedicated itself.

There is much advantage in crystallizing our thought in a word or simple phrase and there is no better word to advance our work than that given by last year's Fire Insurance Committee, "Inspection." This word means more than care against fire, for it implies intelligent, persistent, regular effort to prevent fires. We want inspection to become not simply a duty of the municipality or state, but primarily of the citizen in his home and the employer in his factory or store. When we begin from the bottom and work up we get the most substantial results, and when we get a large portion of our citizens imposing upon themselves the duty of inspection, instead of trying to get results by super-imposing the authority of the state, we are going to make substantial progress. Men fly too readily to the state for control of individual faults and remissnesses and so the Association has felt that its work was to encourage its member concerns to establish regular inspection of factory and plant, training some thoughtful, trustworthy and intelligent employee to build up a more and more efficient inspection system and enthuse his fellows to co-operate with him in securing conditions which, instead of making fire the likely thing, make it almost impossible.

We have brought together from our members a large number of self-inspection blanks, into many of which a large amount of time and effort has been put, evidently in the belief that, as one of the members puts it, "Self-inspection is the only way that we can call to mind that will materially reduce the terrific fire loss and automatically lower our high insurance rates." It is noticeable that many of the blanks lay emphasis upon litter and refuse by asking right at the start for a report on this feature. We urge that the committee of next year endeavor to construct, out of the many inspection blanks assembled by this year's committee, two or three model forms as simple as possible, for use in factory, warehouse and store, and secure wide adoption of such blanks through the aid of the general membership, local associations and commercial organizations generally.

It is to be remembered that self-inspection to be worth while must be regular and should get from the officers or employers that interest which will prevent the system from descending into a purely perfunctory performance. The inspector should be made to realize that he stands on a high plane of usefulness as a defender of the welfare of his concern and, indeed, that of every man who gains his livelihood therefrom. You can overdue dignity of position but you cannot overdo a sense of responsibility such as must be cultivated in the "Inspector of Plant."

The further thought of the committee that the fire departments of our cities extend their service beyond the giving of the alarm and the extinguishment of fire to a third function, that of inspection and prevention, is making astonishing progress. It seems indeed as if every month another city is reported as having authorized its fire department—generally the most efficiently handled organization under the municipal government—to enter upon inspection service, calling attention of property owners to dangerous conditions, getting acquainted with the layout of factories, stores and yards in order the better to fight possible fire, encouraging property owners to install modern appliances with a view to eliminating dangers of conflagration. Minneapolis whose fire record for years approached almost conflagration proportions, through the introduction of a fire department inspection system, has become one of the country's low record cities. New York has reduced its fires largely through inspection work, and the experience of many other cities might be named, all tending to prove the importance of official inspection.

Ohio has been pointed to as a leader in inspection work, having been exceedingly fortunate, or perhaps better, usually wise in the choice of men to serve as fire marshals. Under their direction the state and its many important cities, and even the smaller towns have developed the most advanced ideas and methods in fire prevention, with the result that under agreement between the companies and state officials a re-rating of the entire state on a materially reduced scale is now in progress. The striking thing in the work of the Ohio inspection bureaus is the fact that even the smaller centers generally present marked improvement in fire fighting apparatus, character of buildings, cleanliness and general appreciation of the necessity of eliminating conditions known to breed conflagration.

In advancing the movement for fire department inspection the fire insurance committees of local associations have nearly always been factors and often leaders. Indeed it may be said that most committees have determined upon their work without being urged by the committee of the National Association. They have not come to the National office and asked "What is our task?" but of their own initiative have taken up the work which logically falls to them as the fire insurance and prevention force of the organization. Some of these committees have kept before their local membership the opportunity of each member to serve his customers in pointing out the necessity of having immediately at hand the means of extinguishing incipient fires in home, store or factory, impressing upon them that every fire has its beginning, and if it can be met at once with effective apparatus, no loss will ensue. These committees also have stood behind city authorities in their endeavor to secure sane improvements in building codes and regulations, and each year sees some of the committees taking up the important problem of an adequate salvage corps.

It was the privilege of the Association through its appointed delegates to have presented upon the floor of the convention of the National Fire Protection Association held last month at Chicago the message of the National Association of Credit Men to the Fire Protection Association which two organizations have become so vitally and intimately related through the work of Charles E. Meek, who is a vice-president of both organizations. The opportunity was taken to express the appreciation of the business men of the country as represented by the National Association of Credit Men for the incalculable service which the Fire Pro-

tection Association has given this nation. It is with pleasure that we note this May convention gave cordial endorsement to the extension of inspection service, just as we have outlined and as our delegates commended to that convention.

The committee also is gratified at the recognition extended the New York Credit Men's Association by Fire Commissioner Adamson in asking that association to name from its membership one of a committee of five business men, whose duty it should be to study the relationship between arson and fire insurance. The earnest and intelligent efforts made in



J. EDWARD STILZ
A. Kiefer Drug Co., Indianapolis, Ind.
Chairman, Fire Insurance Committee

the past year by the fire insurance committee of the New Orleans association should not go unnoticed in this report. The careful survey of the forces making for fire prevention in Louisiana under the direction of the local committee is a model for other associations, the purpose of the survey being to determine just where the New Orleans association could best take hold of this question and with what existing forces it could best co-operate. Out of these activities has come the recommendation

of President Reynolds of the New Orleans association, who has urged a "National Fire Prevention Day" when the President of the United States shall issue a proclamation to all the people treating the subject of fire waste and preventive measures, when the governors of all states and mayors of all cities shall second his efforts by issuing proclamations to their people and there shall be a general observance of the day by the fire department in each city making an examination of all premises and demanding a thorough clean-up, and by the schools and newspapers conducting an educational campaign, all looking to reduction of fire loss.

While our best work in the long run is for the reduction of fire loss, yet so long as fire losses continue high as at present, we must as an Association give earnest attention to that which tends to weaken and demoralize insurance protection. It would seem as if the most rampant ideas regarding every possible phase of the insurance business had broken out in some of our legislative bodies during the past two years, laws being put on the statute books which have placed property and business in great jeopardy. We find Texas in 1913 enacting a law relating to inter or reciprocal insurance companies under which an agent may secure a license from the commissioner of insurance and banking to do a business under a certain title merely upon presenting the form of policy he intends to use and proposed business address, the applicant needing not to report his resources. As a result agents are floating inter-insurance propositions in that state embodying unusual terms which long established insurance experience has shown to be utterly unsafe and unfair. The associations in that state have joined together in the hope that they may secure legislation in the next session such that legalized theft as a Texas member put it, in the form of taking insurance premiums on contracts which never would be met in case of fire, shall not continue. The situation in Missouri now fortunately largely corrected through the persistent demand of the business men of the state, has been referred to frequently in publications of the Association. But a new task has been imposed on members by the situation in Kentucky, from which state most of the stock insurance companies have withdrawn because of the enactment of legislation imposing conditions which, as the figures show, make impossible the doing of business in that state except at a heavy loss. It is not for the National Association of Credit Men to volunteer its services in defense of the insurance companies, but the business of insurance is so closely related to all that pertains to the extension of credit that we cannot take a quiescent attitude when the underwriting companies withdraw from a state because conditions have been imposed upon them which are intolerable from every point of view.

There is undoubtedly wrong on both sides. Our study of fire insurance, forces to the conclusion that while here and there during specially fortunate years, the companies make a good showing, the fire underwriting business as a whole is not being carried on with returns at all out of proportion to the capital risk involved; their fault is that they should find a simple, convincing method of satisfying the public that their rates are not exorbitant for they have not yet discovered a way of making men's minds clear on this subject. Whatever may be said against the companies, however, is no extenuation of the indefensible attitude of some states, which cry like automatons for lower rates, nor for rates which upon careful investigation in behalf of the public would be found to be fair and just. The business men have a right to look to their legislators and executives for protection against insatiate monopoly, but every advantage of govern-

ment protection will be lost if public servants are incapable of looking fairly at big questions affecting the welfare of the people or are unwilling to do so.

While it was not originally intended that your committee interest itself outside of the field of fire insurance and prevention there have drifted into the Association many questions touching insurance under the workmen's compensation acts which are rapidly taking their places on the statute books of the states. Undoubtedly the enactment of workmen's compensation laws presents a liability which must be considered in credit extensions and a liability against which employers must make ample provision. In this line of insurance more than fire there must be the capacity to look well into the future, for under the workmen's compensation acts liability to a laborer or his family may extend over a score or more years. The committee recently placed before its members some of the general principles which, as it saw the situation, should be observed in placing liability insurance, and offered itself at the service of members in advising as to the standing of the many companies in the field seeking subscribers, for it is to be noted that there has followed in the wake of the workmen's compensation acts a large number of applicants for business, many of which do not give evidence of possessing that experience in the *liability* line which is essential to success.

In conclusion your committee offers the following resolutions:

I.

"Resolved, That the resolution adopted at the Cincinnati convention, calling for the appointment by all local associations of fire insurance committees be reaffirmed, it being the conviction of this Association that the credit men of the country should undertake systematically the study of conditions in their respective communities with reference to the fire hazard, should interest themselves in the improvement of building codes and regulations in their cities, and the establishment of such protective machinery as is provided by the salvage corps, and endeavor to educate members and business men generally in the importance of providing themselves in plant and home with that which will extinguish incipient fires.

II.

"Whereas, The enormous fire losses of this country, together with huge annual expenditures for extinguishment, impose upon commerce excessive burdens, estimated at between \$500,000,000 and \$600,000,000 yearly, and

"Whereas, The study of causes of fire, brings out the fact that one-half of the annual fire loss is a direct result of that careless disregard of our resources which characterizes the American people, be it

"Resolved, That the National Association of Credit Men direct its attention with renewed energy to the end that there shall be a growing sense of responsibility on the part of the people, individually and generally, in reducing our preventable fire waste, and that the Association call upon every affiliated organization to do its part in developing a changed public sentiment toward those who invite fire and thus endanger by their recklessness property and human life.

III.

"Resolved, That the word "Inspection" shall continue to give direction to the fire prevention work of the Association and that the efforts of our committees and members shall be to establish, in every factory and store, systematic and thorough self-inspection, and in all our cities inspection by local fire departments, with authority to enforce rules for cleanliness and the elimination of dangerous conditions.

IV.

"Resolved, That the Association, in the next legislative season, renew its efforts to secure in the various states fire marshal departments, over which shall preside men well equipped for their work, clothed with sufficient authority to enforce better conditions and provided with means such that the work of education and investigation naturally falling to the departments may be carried on unhampered.

V.

"Resolved, That the incoming committee, together with the board of directors, take up the recommendation that a "National Fire Prevention Day" be established by getting the government at Washington to co-operate with the governors of the various states for a national clean-up day.

VI.

"Resolved, That the business men of the various states, while watchful against over-grasping monopoly, be led to recognize that fire insurance, by its very nature, can not be forced upon a purely competitive basis, and while properly under supervision and limited state control, must receive fair compensation in each and every state over a series of years, and must not be subjected to rate reductions forced without due investigation; and that there may be growing confidence between the insured and the insurers the companies are urged to do all in their power to satisfy the people that they appreciate their position as quasi-public servants and as such desire to conduct their business in a spirit of utmost fairness toward the insuring public.

VII.

"Resolved, That the Association express its appreciation of the efforts now being made by the members in Texas to place every branch of insurance there on such footing with relation to the state that the standing of every company seeking to write insurance may be known and unsafe companies be eliminated."

Respectfully submitted,

R. M. DAVIS,
J. B. FUGATE,
W. P. GEISSLER,
CHARLES HOLDEN,
P. P. HANLEY,
J. B. HOUSE,
G. C. KESNER,
ISAAC LOWENSTEIN,
W. F. MOODY,
J. EDWARD STILZ, *Chairman.*

President Salisbury—The open parliament on the report and resolutions of the Fire Insurance Committee will be led by H. C. Reed, of Sioux City, Iowa, who will present the paper of J. K. Irvine and W. E. Clarke of Cleveland. (Applause.)

Mr. Reed—The need of education in fire inspection and prevention cannot be overestimated. Every necessary phase of that education has been worked out by our own Association, by the National Fire Protection Association and the National Board of Fire Underwriters. It is clearly set forth in their suggested ordinances for different municipalities, their inspection blanks and other literature. It is now up to business men and their organizations throughout the country to spread this gospel of fire prevention.

The membership of the National Association of Credit Men is in closer touch with the people to whom this gospel has to be preached than any other class in business, not excepting the fire insurance men themselves. In most cases, the credit men have direct supervision of insurance and protection in connection with their own premises and are vitally interested in the fire protection of their debtors' property. No class of men, therefore, has a wider influence or greater interest in shaping the attitude of the people at large toward the proper safeguarding of property from the frightful waste by fire.

By precept and example, broadened by a carefully organized campaign through its branches, backed by every individual in its membership, the National Association of Credit Men can do more than any other organization in the country in fire inspection and prevention education. It has a reputation for putting things through—a reputation we must zealously guard.

We, who appreciate the gravity of the situation, will see that our own premises are kept clean; that they are rigidly inspected and that all effective means of fire prevention are installed. But what of our neighbor? Our careless neighbor is our greatest menace; hence, the first step in fire inspection and prevention education must be compulsion. That first step, compulsion, must be carried out by our municipal authorities.

So far experience indicates that the proper vehicle for inspection in most municipalities is the fire department. Uniformed authority is always impressive. Inspection by firemen has the great advantage of acquainting the firemen with the physical condition of the risks. That knowledge is of marked advantage on the occasion of an alarm when minutes may turn an insignificant blaze into a conflagration.

Our fire insurance committees may find the hardest part of their work in changing the attitude of their city authorities and their fire departments toward fire inspection. Many of them, like some individuals, are prone to follow the lines of least resistance.

In such a case, it will be necessary for our committees to induce the co-operation of other organizations, such as the local commercial club or chamber of commerce, Rotary Club, real estate board and board of education, in arousing public sentiment to such a degree that the municipal authorities will have no hesitancy in passing necessary ordinances, appointing a fire marshal and deputy fire marshals, investing them with the necessary authority to inspect and enforce the proper carrying out of the requirements indicated by their inspections.

Insurance men of good standing should be admitted to membership in our organization. They are credit grantors; they are good men to have on our fire insurance committees as they are vitally interested in

the reduction of the fire waste, and there is a part of the inspection and prevention education we are particularly interested in their assimilating, namely, that prevention should commence by careful inspection before the policy is written.

Our local fire insurance committees should ever have before them the necessity of results—the quickest results possible—in this crying need for fire inspection and prevention. If results can be more quickly arrived at by letting others have the applause, the political capital—get the results and let them have the applause.

If one year from now our one hundred and three branches can report a material reduction of the fire waste in each and every one of their districts, our fire insurance committees will experience the satisfaction of a great work well begun; education in fire inspection and prevention is a living force. (Applause.)

President Salisbury—We will now hear from Mr. Clarke. (Applause.)

Mr. Clarke—A good credit man anticipates information. I anticipated yesterday morning that by this time President Salisbury would have his ax out, and I think I am prepared for him. I hope that I shall not take five minutes.

I ask your leave to refer back to the remarks of Mr. Hill of Kentucky, at the last convention, in the open parliament on the report of the fire insurance committee, and I wish to connect up with these remarks a letter from the Cleveland fire department to a concern which was represented at the Cincinnati convention. My purpose is two-fold, first, to show that recommendations made at this convention do not fall upon deaf ears; and second, to show how appreciative the city fire departments are of co-operation on the part of business concerns to minimize fire risks. Mr. Hill's words were in part as follows: "The best and most efficient work of checking the great fire waste is the method recommended by your committee on fire insurance, and that is by inspection." What each member of this Association should do is to have individual inspection. Just think what a power it would be if the eighteen thousand and more members of this Association would have inspections of their plants four times a year.

The letter to which I refer I will now read:

"It is with great satisfaction that I write you commending your firm and employees for the excellent condition in which our fire warden found your place of business and premises during a recent inspection made by him. He reports to me that he found everything in exceptionally good condition so far as combustible rubbish is concerned. It also seems that smoking is strictly forbidden. This is a very good rule to enforce. Your extinguishers and other fire-fighting apparatus were in good working order, and the halls leading to the escapes we found in good condition and free from obstruction. Such excellent surroundings are very commendable to yourself and to the interests displayed by your employees. I take great pleasure in writing you thus, for to find conditions like this pleases me as much as they do you. Most of the letters from this office are written for the purpose of calling attention of some one to the necessary abatement of a nuisance or fire hazard, and to write a letter of commendation such as this is an agreeable exception to the rule."

I believe it is safe to say that any of us would experience considerable pleasure in receiving such a communication from an official of our

local fire department. I want to mention in passing that the building occupied by the concern which received this letter is not of modern fire-proof construction, nor has it a sprinkler system. It is just an ordinary mill constructed factory.

I have not touched upon the particular phase of insurance suggested by Secretary Tregoe, but if I can leave this thought with you I shall be satisfied: The important need of our Association is co-operation, and while persevering in our endeavors to secure from others co-operation in matters relating to our own welfare, let us not forget that there is an equal obligation upon us to co-operate with others in bettering conditions in their respective lines of business, and not the least of these is fire prevention. (Applause.)

A. C. Carpenter, New Orleans—As there are a number of resolutions all printed in the committee reports I am going to move that the rules be suspended and the resolutions be adopted as already presented.

Motion seconded, put and carried unanimously.

E. L. McClure, Kansas City—with the permission of the floor, I would like to introduce at this time a resolution which naturally grows out of the discussion we have just had. It reads:

"WHEREAS, A large percentage of our annual fire waste is due to contributory negligence on the part of owners of property, and

"WHEREAS, A large portion of this waste could doubtless be eliminated through corrective statutory measures, be it

"Resolved, That we recommend to the incoming Fire Insurance Committee that they investigate as to whether the owner of property who brings fire loss upon a neighbor, as a result of failing to correct an extra hazardous risk in his own property, cannot be made financially responsible by legislative action to those suffering such a loss as a result of his negligence."

C. C. Robertson, St. Louis—I second the resolution.

Motion put and resolution unanimously adopted.

E. L. McClure, Kansas City—Pardon me for taking up the time of the convention, but this is a subject of very great importance not only to the credit men but to the principals of every house represented, and we cannot emphasize the subject too greatly. If the principals are not represented, you will back a message that will impress upon them the value of the Credit Men's Association, and you will get the consent of your principals to come again. While the resolution I am about to offer has no particular force, yet it will impress itself upon those who are not so fortunate as to be present at this convention, that we consider the subject of very great importance. The resolution is as follows:

"Resolved, That credit should be discouraged where fire insurance adequate to protect creditors, should a fire loss occur, is not carried."

J. E. Porter, Pittsburgh—I move the adoption of the resolution.

Motion seconded, put and unanimously carried.

A. C. Carpenter, New Orleans—Not wishing to forget old friends, I would like to move that a rising vote of thanks be extended to Mr. Wentworth for his able address on the subject before this convention.

George W. Oatley, Utica—I am very glad to second that motion.

Motion put and carried unanimously amid applause.

President Salisbury—The next order of business is an address, "The Portion of the Fire Waste that is Avoidable," which will be most interesting to all of us, by Herbert E. Choate, Atlanta, Ga. (Great Applause.)

That Portion of the Fire Waste that is Avoidable

ADDRESS OF HERBERT E. CHOATE, ATLANTA, GA.

Mr. President and Gentlemen of the Convention:

The subject assigned me: "What Portion of the Fire Waste is Avoidable?" I venture to discuss with no small degree of trepidation, for I have found that the deeper one gets into the problem of fire waste, the more is he impressed with the profundity of the subject.

At first one is disposed to regard it as essentially a business question, needing only the application of sound business principles to arrive at the correct answer; as one gets beneath the surface of things its aspect is broadened into an economic problem, while if one traces its more intimate, if less apparent ramifications, he finds its destructive forces germinate in the vitals of the community life—our ethical and social concepts.

By these ascending gradations, one reaches the sober conviction that in this latter phase is to be found the gravamen of the whole matter and other aspects are merely collateral or secondary in their bearing upon the subject.

Now, if I am correct in my premises, it must follow that any far-reaching permanent reform must have its beginning in a quickened moral sense rather than in calculating self-interest; and as I shall confine my remarks largely to that aspect of the subject, I will not weary you with a formidable array of figures and comparative statistics with which you who read the BULLETIN and other literature published by our Association upon the subject are quite as familiar as I.

The activities of our Association have been second only to those of the National Fire Protection Association in disseminating information and in stimulating thought concerning this important problem of the past few years.

You know that our normal annual fire loss reaches the stupendous sum of a quarter of a billion dollars—a matter of two-and-a-half dollars for every man, woman and child in America—an amount more readily comprehended when you consider that this loss is sufficient to wipe out our entire circulating medium about every fourteen years. You know that this loss on a per capita basis is something like ten times that of the average European country. You know that economists have held that no other country could long survive such drain upon its natural resources or such waste of the productive energies of its people. You must realize, moreover, the need of effective measures whereby this appalling sacrifice to the demon fire may be stayed, else the proud position we occupy economically as a nation will be seriously threatened if not lost.

To what cause or causes shall we attribute the great disparity between our fire waste and that of the older countries?

Is it due to better constructed buildings on the part of such countries, having regard to the prevention of fires; to better facilities for overcoming fires; to wiser laws, rigidly enforced for the protection of property against fires?

I feel quite sure that each of these questions may be answered affirmatively, but I venture the assertion that the preponderating cause lies not so much in these advantages as in the attitude of the people themselves; to their abhorrence of useless waste, inbred through generations of right thinking and proper training, in regard to such matters; and may we not even discern in these very conditions of better buildings, superior equip-

ment and wiser laws, an expression of the moral sense of the people themselves, which stands behind them.

I do not mean to charge that our people are less highly developed in their moral or ethical conceptions than other peoples; on the contrary, we are, I believe, in the main, sound and rational on that score; but there are sins of omission, and it is of these that we stand convicted in this relation; nor do I mean to imply that we do not think rightly—the trouble is that we have not thought at all, in a national sense, upon the subject of fire waste and where it will lead us. We have not thought that we had to think—for weren't the insurance companies paying the losses?

Not alone in the matter of fire waste, but in our general propensity to wastefulness have we been so magnificent in our disregard of the future as that we shut our eyes to the situation because, forsooth, a bountiful nature has seemed to refer to some remote period in the future the evil day when we must pay the price of our extravagance; ignoring the rights of posterity, we take no thought of its welfare, I submit, when we allow our forests to be denuded, our water courses to be depleted, our mines and quarries to be aborted, our labor to be wasted, only to restore that which we almost wantonly allow to be destroyed by fire.

And do we really care? Let us consider.

In a certain city, boasting an enlightened and progressive citizenship of upwards of a hundred thousand souls, there have occurred, within the past twelve months, no less than twelve hundred fires, in which was wiped out property values of something like three-quarters of a million dollars—or a per capita loss of about twenty times that of the average European city.

An acquaintance of mine, a gentleman who has made a careful survey, at first hand, of insurance conditions, both at home and abroad, was present on the occasion of one of these fires, and in commenting upon the behavior of the crowds on the streets at the time, told me that that circumstance alone revealed to him the cause of so many destructive fires in that community. It seems that pedestrians, automobiles and conveyances of various descriptions made no more effort to clear the way for the engines and fire apparatus than they would for any ordinary vehicle and that the drivers had to pick their way through the congested district as best they might. Meantime the crowds gathered around the burning structure, making a sort of gala-occasion of it, speculating upon the amount of insurance carried and, incidentally, interfering with the work of the firemen.

Now these good people, average American citizens, were not worried about this fire, simply because they felt reasonably certain that the owner of the property had been prudent enough to protect himself from loss by insurance. He would sustain no loss—the community would sustain no loss—why worry? To be sure, the insurance companies would be out of pocket, but did they not charge unconscionable rates? and what were insurance companies for anyway?

Now I ask, in all candor, if that is not about the average view of the man in the street of the typical American community?

Now, what do you suppose would have happened under like conditions in, say, Germany?

In the first place, at the first sound of the siren of the fire chief, every blessed soul in the path of his machine, engines and apparatus would have taken to cover and given him unhampered right-of-way; and if some hapless pedestrian, not sufficiently alert, had gotten in

the way he would have been incontinently run down and probably killed. But if, perchance, he had survived, he would have been arrested and heavily fined, and public sentiment would have approved.

While the firemen were fighting the fire, the police would be engaged in apprehending and placing under arrest the occupant of the building where the fire occurred. He would be tried in the courts and, unless he could produce a clean bill of health, showing that through no fault of his, whether of deliberate purpose or neglect, the fire arose, he would be found guilty and punished according to the seriousness of the offense.

I am told that very few escape some penalty, for the Germans proceed upon the idea that if there is not a violation of law somewhere, there can be no fire, and they usually fix the responsibility upon the man immediately in charge of the premises.

It is true that they sometimes indulge in the American game of what is popularly known as "passing the buck," but the authorities usually get someone before they stop.

I was told of a case of this kind where a fire had partially destroyed a building, and, the investigation showing that the fire originated from a pile of refuse matter in the basement, the occupant of the building was immediately jailed. He was able to prove that he had just moved in and could have had no knowledge of the presence of this inflammable material, and so they arrested the landlord, who in turn put the blame on the contractor who built the house; and as there was no one left to whom the latter could "pass the buck," I am told that what they did to him was sufficient, liberally to reward their pains. Thus they vindicate their notion that *somebody* is responsible for every fire, and at the same time improved the wholesome respect that obtains among the German people for their laws. I can well believe that folks in that neighborhood were "powerful" careful about fire for quite a spell after that.

I was privileged not long ago to look over a French fire insurance policy. Upon second thought I want to say that it was not much of a privilege after all, for the only thing I could make out in its contents was the number of francs it provided for under different headings; but the gentleman who allowed me to look it over proceeded to make it a privilege by translating parts of it into good United States. The thing that particularly impressed me about it was that it provided for so many thousand francs upon the property adjacent to that of the policyholder, in which he had no interest—at least he had no claim upon it, and yet he did have a very real interest in protecting it against fire, for I learned that, in France, if one has a fire on his premises and it happens to spread to adjoining property, the owner of the property where the fire occurs is liable as for a tort. Thus is a man not only admonished to be careful of fires on his own account, but is required to act as a sort of sentinel over neighboring property in so far as it may take fire from his own premises.

But not so in this great free country of ours. We set so much store by what we are pleased to call our personal liberties that we are intolerant of having placed upon our "vested right" to do as we jolly please, the restrictions the Frenchman evidently considers as marking the point where his rights end and the other fellow's begin.

Unfortunately, the matter of fire waste is not an isolated problem, for it is intimately associated with the larger, the major problem of conserving our natural resources: our forests, our mines, our water-power.

We have been so bountifully blessed by nature and we have been so busy developing these natural gifts that we have given scant consideration to the question of how or where we would replenish our stores, once they had been depleted. Only in recent years have we begun to think, even in the most elementary way, about these questions, and the burden of thinking has been left to the few,—the great mass of our people concerning themselves about it only in the vaguest sort of way.

I fear we are all too prone, so long as the problem does not touch us immediately, to pass it on to those who come after us. At any rate, we seem very far from sharing the sentiments of an old gentleman of whom I once heard, who had passed his three score years and ten and who yet had interested himself in planting out a number of pecan trees on the road that passed his home. Asked by a neighbor why he troubled himself about such things, seeing he could hardly hope to live long enough to enjoy either the shade or the fruit of the trees, he replied:

"Yes, it is probably true that I shall never live to enjoy any of the fruit of these trees, but I shall be satisfied to have those who come after me enjoy it. I realize that I am debtor to those who have gone before me for most of the blessings of my day and generation. But for them I should probably not be pursuing this peaceful occupation. But for their sacrifices I should be denied the privilege of living under a free government that guarantees to every citizen 'life, liberty and the pursuit of happiness,' as well as the inestimable right to worship his Maker according to the dictates of his own conscience. But for their labor and pain I should not enjoy the companionship of good books or the solace of the Book of all Books, which has been handed down to man through countless generations, nor the innumerable material blessings that are common to every-day life. My only chance to even the score is to try to leave something behind that will benefit and give pleasure to those who come after me, and that is why I find interest and pleasure, at my time of life, in planting these trees."

Now, it is something of that sense of moral responsibility that we need to foster and develop as a national trait, before we shall be able to realize or approximately state "What Portion of the Fire Waste is Avoidable."

We need more stringent laws and we need to have them rigidly enforced; but we need, more than these, a deeper respect for the rights of others, a keener sense of the duty we owe to society and to posterity.

Someone once asked Oliver Wendell Holmes when the education of a child ought to begin. He answered promptly that it should begin with its grandparents. I should be in favor of beginning a campaign of education on the subject of CONSERVATION about three generations back, if it were possible; but as science has not yet perfected a workable system of communication with "that undiscovered country from whose bourn no traveler returns," I suppose we shall have to begin at the point of least resistance, the primary grades of our public schools.

Mr. President, we have a great opportunity to help in this cause. While we have about as direct and selfish an interest in it as anyone else, I like to think that we will devote ourselves to it, as we have to most of the things we have undertaken, from an altruistic rather than a selfish or material motive.

If it be true, as Dean Swift has declared, "That he who makes two blades of grass to grow where but one grew before, is worth more to humanity than the whole race of politicians," surely those who undertake

to save from waste so considerable a portion of our resources as is yearly consumed by fire, at least deserve to be written among the number of those who love their fellowmen.

In the capital of my native state of Georgia there stands a monument erected to the memory of a great American—Benj. H. Hill. On the marble pedestal upon which it rests are graven these imperishable words of his:

"Who saves his country, saves all things and all things saved will bless him; who lets his country die, let all things die and all things dying curse him."

Gentlemen, in the spirit of this noble sentiment, let us take to heart the duty that belongs to every American citizen of preserving for our children and our children's children the legacy that was achieved through hardships and sacrifices by our forefathers, a heritage, not for a few passing generations but for all time. (Great applause.)

President Salisbury—It will be impossible for us to take up the report of the Legislative Committee at this session.

Secretary Tregoe—Might I have the privilege of suggesting, as a fitting close to this afternoon's session, that you ask two of the gentlemen to escort Mr. Prendergast, who has just arrived, to the platform, where he can hold an informal reception. (Applause.)

President Salisbury—I will request Mr. Melius and Colonel Porter to please escort Mr. Prendergast to the platform. (Applause.) (Mr. Prendergast on ascending the platform was greeted with prolonged applause and calls for a speech.)

President Salisbury—The convention will now stand adjourned. Mr. Prendergast will be glad to meet his old friends on the platform.

A recess was here taken to 9:30 A. M., Friday, June 26th, 1914.

FOURTH DAY

Friday, June 26th, 1914.

MORNING SESSION

President Salisbury—The session will be opened with an invocation led by the Rev. Earl D. Shepard, pastor of Grace Methodist Episcopal Church.

President Salisbury—I understand Mr. Kingsbury has some announcements to make. (Applause.)

Secretary Tregoe—I think this is about the best time for us to give this man Kingsbury three cheers. Don't you think so?

The convention arose and gave three rousing cheers for Mr. Kingsbury.

Mr. Kingsbury—A thing like that, you know, sort of gets on a fellow's nerves. You did not think I had any, did you? (Laughter.) There is very little to say this morning and I didn't intend to say much, but as I was walking to the platform here I saw something, that calls for a penalty. I don't know what the legal term for the offense is, it is so long ago since I studied law that I have forgotten. I do not know whether it is sequestration of property or violation of terms of bailee or what. The matter dates back to our return from New Orleans, when the convention was held there. I loaned a man by the name of Salisbury a piece of personal property, to be returned to me the first time I went to Minneapolis. I was unable to go to the Minneapolis convention and he kept the property. But I met him once after that, and he said that unless I would forgive him he would go into bankruptcy. I did not want to see a good fellow do that, because he had just been elected president. I was up in his home town last fall, and he pleaded for more time. Now I see this morning he is wearing that property (indicating Mr. Salisbury's necktie). (Laughter.) Now, I am going to leave it to you what he shall do. Shall he take it off and give it to me, or shall I give it to him for good and settle this matter?

Cries of: "Take it off" and "Give it to him."

Mr. Kingsbury: It has got roosters on it.

President Salisbury: No, chickens. (Laughter.)

A Voice from the Floor: Mr. Secretary, you seem to be the presiding officer, and I want to say that I would like to see Mr. Kingsbury take it off.

Mr. Kingsbury—Say, I will not accept that challenge. (Laughter.)

Now, we are almost through trying to entertain you. We have one more function tonight in this room, and we want you all to stay over for it. It is going to pay you. The trains do not leave until midnight anyhow, and you can stay up that late and have a good time. We want to have you together for one last parting handclasp, and to show you how much we really do appreciate your coming, and to tell you how glad we are for the good time you have given to us. Now, keep that in mind. It is for the ladies and men and everybody. We will give you a little social time, will have a bite to eat after the show and will do all we can to send you away thinking that Rochester is the only town in the world. (Great applause.)

You know most of the fellows that have been working on this committee were not natives of Rochester. When they were young, they came through and liked the looks of the town, wandered around and went to

Minneapolis and Detroit and New York and Boston, and looked those towns all over, and came back to Rochester and settled down here to live. (Laughter.)

We are going to give you an ideal Rochester day, and a Rochester night tonight, and any man that calls himself a friend of mine has got to stay over. (Great applause.)

Secretary Tregoe—We have had a wire from J. W. Spangler of Seattle, expressing his regrets that he could not be with us. He was one of the earlier vice-presidents. (Applause.) The Portland Association of Credit Men extends its greetings by wire. (Applause.)

W. H. Preston, the first president of the National Association, sends his greetings. (Applause.)

The Tacoma Association of Credit Men sends its greeting by wire. (Applause.)

I have a wire here that I am going to read, because it is so characteristic of the three men who sent it, and of the city of which they are distinguished citizens:

"It was not our intention to trouble the convention
"With advice or of what we knew or thought,
"For when credit men are called they do not stand appalled,
"But always do exactly as they ought.
"So with greetings ceremonious
"We bid you be harmonious
"And boldly meet the present situation.
"Settle the trouble with Mexico.
"Resolve that business is too slow,
"And start some money out in circulation.
"We want speeches charged with ginger
"Means to jail the law's infringer,
"Pointers how to reach the foreign trade,
"Resolutions full of meat,
"Lower cost of food to eat,
"And for banks and tradesmen find us aid."

(Signed) Newman Essick,
E. J. Levy, and
Warren C. Kennedy,
of Los Angeles.

(Laughter and applause.)

Greetings from San Francisco and from Spokane. (Applause.)

President Salisbury—Going back just a moment, you all heard the accusation made that I had refused to return the necktie belonging to Mr. Kingsbury. I can only say that I plead guilty. I do not believe he would dare to attempt to take it away from me, and I believe it is a mascot, not for myself alone, but to the National Association, and I have already promised that as I leave the office of president of the National Association of Credit Men I am to pass this necktie on to my successor. (Laughter and applause.)

We will now take up our business where we suspended yesterday afternoon, and listen to the report of the Legislative Committee, J. M. Callander, Des Moines, chairman. (Applause.)

Mr. Callander—in order to expedite matters, I am going to waive the reading of the report entirely, and I am even going to waive the read-

ing of the resolutions, as I am going to ask Secretary Tregoe to do it at this time. I thank you. (Applause and cheers.)

Secretary Tregoe—Do you wish them read before we have them passed?

Resolutions read by Secretary Tregoe.

Report of the Legislative Committee

To the Officers and Members of the National Association of Credit Men.

GENTLEMEN:—

Your Legislative Committee has not had an active year because the legislatures of but few states were in session.

Through the co-operation of local associations there have been, however, some notable accomplishments all of which but tend to confirm an impression that the National Association of Credit Men is exerting a strong and recognized influence for the enactment of sound and equitable commercial laws.

In Kentucky, through the direct efforts of a legislative committee comprising representatives from our associations in that state, of which Peyton B. Bethel, of Louisville, was chairman, there were enacted almost unanimously in the Kentucky legislature our model "False Statement Measure" and "Bad Check Law." These two statutes will afford very direct and needed protection to credit grantors in Kentucky.

In Maryland there was enacted through the direct efforts of the legislative committee of the Baltimore association, of which F. J. La Motte, is chairman, a "Bad Check Law" and an amendment to the "Bulk Sales Law." Our model "False Statement Law" was defeated through an unanticipated local situation which the committee and its attorney were unable to control.

There was enacted in New Jersey as a direct result of the efforts of the legislative committee of the Newark Association of Credit Men, of which Newton Southerland is chairman, our model statute slightly modified to regulate collection agencies. This statute will insure business and banking houses in New Jersey against the invasion of unregulated and unfair collection agencies. It will undoubtedly mean much in protecting against many unfavorable and expensive experiences.

There was enacted in New York state a new "Bulk Sales Law" modeled upon the Michigan statute. The bill was offered by Hon. Clinton T. Horton, of Buffalo, in response to a request from the Buffalo association and the National office, and his distinctive efforts for the passage of the bill received statewide encouragement and support. It was a very popular effort in New York, for the state needed badly an effective bulk sales statute and your committee recognizes with deep appreciation and thanks the efforts of Mr. Horton in behalf of the five associations and the individual members in the state.

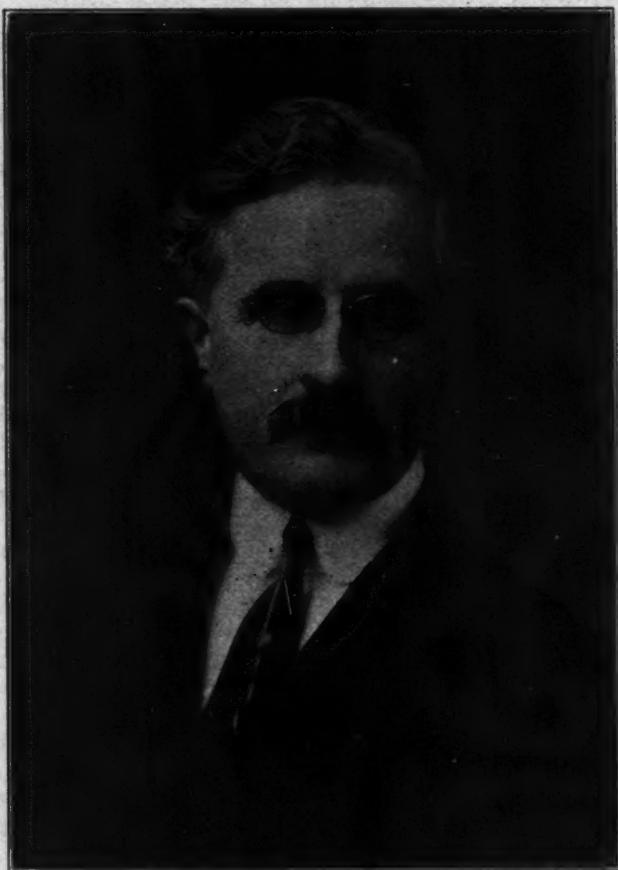
Your committee failed to enact in Mississippi our model "False Statement Law" and a new "Bulk Sales Law." We cannot express too deeply our regrets upon the legislative situation in Mississippi and that its legislators appear deficient in a reasonable and proper appreciation of the value and aid to mercantile interests of reasonable commercial laws.

An effort to enact in South Carolina our model "False Statement Law" also failed. This was the third attempt to enact this law in South Carolina. There was every promise for its success at one period of the

legislative session and we are under direct obligations to the associations in South Carolina, especially that at Columbia, and Alvah T. Lumpkin, Esq., of Columbia who sponsored the bill in the South Carolina legislature.

There were no efforts made in the assemblies of Massachusetts and Rhode Island, for in both of these states there have been enacted many of our model laws.

Irrespective of our efforts, there was enacted in the New York assembly, through the personal and direct efforts of Mr. Horton, of



F. H. McADOW
Staver Carriage Co., Chicago, Ill.
Chairman, Bankruptcy Law Committee

Buffalo, an amendment to the state's assignment law. This measure is designed as a protection to the credit system through the saving of insolvency administration waste.

In reviewing the year's work we believe the Association may be congratulated upon what was accomplished and it gives promise of what may be asked and worked for in the legislatures of 1915.

Your committee has had no direct part in preparing a model statute to regulate the transfer of accounts receivable, that matter having fallen within the purview of the Committee on Credit Department Methods, but it is the sincere belief of your committee that the secret pledge and sale of accounts receivable should be regulated by a reasonable statute and that the efforts of future committees should be directed upon its uniform enactment in all the states.

The introduction by Hon. A. J. Sabath, Congressman from Illinois, in behalf of the National Association of Credit Men, of a bill to prevent the transmission of false statements in writing through the mails for the purpose of obtaining credit has aroused nationwide interest and endorsement. At the time this report was written the House Committee on the Post Office and Post Roads had not reported the bill out of committee, but at a hearing granted by that committee to representatives of the National Association of Credit Men on April 28th, there appeared to those present to be a favorable disposition toward the bill and it is hoped that it may eventually become a law and play a prominent part in suppressing and punishing the practice of obtaining credit by false written statements.

May we, in concluding what is merely an historical presentation of the year's work, add these serious suggestions.

The obvious influence of the Association in enacting commercial laws should suggest extreme caution and discretion in the preparation and presentation of such laws so that the attitude of the Association for the protection of creditor and debtor alike may not be lost sight of and confidence in the high purpose on the part of legislator be weakened. There should always be prominent the cardinal principle of our work—the promotion and defense of honest business.

Our laws should be simple and confined to the control of those situations which directly menace the credit system, for in their fairness, discretion, brevity and smallness of number will be found our greatest strength and the exercise of our best protection.

It is the belief of many credit grantors that every unfavorable situation arising in the credit system should be regulated by law, yet under analysis a large number of these situations can be remedied by discretion and common sense.

We want the fewest number of laws consistent with absolute protection, but we want these laws to express wisdom, fairness and equality.

With these brief suggestions your committee begs to tender the following resolutions:

I

"Resolved, That the National Association of Credit Men in convention assembled tenders its sincere thanks to the legislative committees of the various local associations, their chairmen and the legislators who were instrumental in enacting the commercial measures in the several legislatures which convened this year.

II

"Resolved, That immediately following this convention the new Legislative Committee be appointed, and that it direct its efforts for the enactment of our model laws in the many states whose legislatures convene in 1915.

III

"Resolved, That it is the belief of the National Association of Credit Men that more effective work can be accomplished for the enactment of our model and other protective commercial statutes by the joining of all associations within a state in a common effort through the adoption of legislative programs that will receive the endorsement and support of the associations and members throughout the state.

IV

"Resolved, By the National Association of Credit Men in convention assembled that its cardinal principle for setting high standards for fair and equitable commercial legislation, be adhered to in all the model statutes that it may adopt and that the Association must stand firmly as a force that defends the interests alike of debtor and creditor, and has for its ultimate and absolute object the promotion of honest business."

Respectfully submitted,

J. M. CALLANDER, *Chairman.*

President Salisbury—The open parliament on the report and resolutions presented by the committee will be led by F. R. Hamburger, of Detroit, and W. M. Bonham, of Knoxville.

Mr. Hamburger—In deference to the wishes of the president, I am going to pass over all the observations that I had intended to present in connection with the report of the Legislative Committee, and I only wish to say that I heartily endorse that report, particularly paragraphs 6, 7, 8 and 9, and more especially Resolution No. 3. As a credit man of almost twenty-two years in the business, and intimately connected with the legislative work of our local association, I am going to present my conclusions upon this report.

I believe that we need more and better laws for the promotion and protection of honest business. We need more effective laws for the elimination of the commercial weakling and unscrupulous trader. We need more effective laws for the punishment and complete annihilation of the commercial crook. We need better protection for the honest business man against the thirty-cents-on-the-dollar man.

There is, I believe, a widespread and growing recognition everywhere of the urgent need of sane and liberal legislation for the better protection of business in mercantile lines, which has suffered such enormous losses each year, due in great part to insufficient legal protection. A large percentage of this heavy loss can, in my judgment, be wiped out if we will as an organization, both locally and nationally, increase our efforts towards the rigid enforcement of present laws and the enactment of such additional statutes as shall be promotive of honest business and aid in effectively punishing the commercial crook and professional compromiser. When we shall have done this, then we will have arrived nearer to that commercial Utopia so brilliantly set before us by our brainy and cultured Secretary Tregoe in an address recently delivered before one of our western associations of credit men.

And I wish to say, as my last word, that that address delivered by Secretary Tregoe is worthy of being printed in pamphlet form and circulated in connection with the educational work of our Association. (Applause.)

President Salisbury—We shall now hear from Mr. Bonham. (Applause.)

Mr. Bonham—in deference to the expressed desire for brevity, I have decided to eliminate one of the thirteen propositions I had planned to present to you this morning. (Laughter.)

The specific question assigned to me is the benefit to be derived by the credit man from commercial law. Now, the benefits from sound commercial law are so mighty, so many, that they could but meagerly be referred to in a short talk.

Through sound commercial law, the credit man is given confidence; he is given poise; he is given the ability, the character and the strength which is necessary to the performance of his duties.

We sometimes look upon ourselves as being employees or junior partners or minor factors in a business. We should never forget that upon our efforts rest something like ninety per cent of the commercial structure of this great country of ours, and we need every aid, human and divine, to perform properly the duties that devolve upon us.

I wish to advance the proposition that we have now almost sufficient law at our command in most of the states of the nation, and national laws, if properly used, to serve our purposes. There are others suggested in the report of your committee that we doubt not will shortly be obtained. Most of the statutes we now have on our statute books that are a help to us have been obtained through the help of your Legislative Committee of the National Association.

Fundamental commercial laws might be said to have been written on tablets of stone and delivered to a great nation some four thousand years ago. One of these laws commanded that we should not desire to obtain unlawfully the possession of another; the other stated that we should not, prompted by that desire, commit the overt act. That great nation has developed into a great people, and while we may and ought to criticise some individuals belonging to that race, we are all proud to say that from that race, taking these laws as the basis of its commercial law, have sprung the merchant and the financial princes of the world. (Applause.)

Very few of us, I take it, were natural born credit men. I do not know how it is with those of you in the north, east and west, but down south nearly all of our credit men, after a careful canvas of the situation, have been found to be natural born collectors. One of the first things they did was to begin to collect the nourishment, the nutriment, and they have kept up being good collectors ever since. (Laughter and applause.)

Very few of us began our business careers as credit men; some started as salesmen, some as accountants, and others were drawn from other occupations. Comparing the early work that we were called upon to do with the work that we are now called upon to do, we realize the great need for any aid that we can get from commercial law or from any other source, and we are entitled to all that the committee report recommends in the way of legislation to aid us in our work and to strengthen the structure that we are building.

About two thousand years after the promulgation of the laws referred to a while ago, there was announced a law that is really a summary of the laws under which this Association works, the law which is becoming the universally recognized law of the land, that law which we sometimes call the Golden Rule. This law defines our relations to those on whom we are asked to pass for credit, to whom we are asked to grant

an extension of time, to whom we are asked to effect a compromise in case of difficulty.

I am proud to say that I am an optimist. I thank God that I am an optimist, and I thank God that I am a member of a body of eighteen thousand or more optimists composing this Association, and I thank God that we are now abiding by the Golden Rule, and by its practice, and I hope that this Association will go on from better to higher things, and be guided by the law of love in all its transactions with those to whom it sells and from whom it buys. I thank you. (Applause.)

Secretary Tregoe then read the resolutions offered by the committee with its report and on motions duly made and seconded, each received the unanimous vote of the convention.

H. J. Parson, Buffalo—In view of the fact that this Association is deeply indebted to the Hon. Clinton T. Horton for his successful efforts in having the bulk sales law and general assignment law passed in the state of New York, I think it would be right and just to authorize the secretary-treasurer of this Association specially to notify Mr. Horton of the contents of Resolution No. 1.

Secretary Tregoe—He has been notified.

H. M. Teaf, Philadelphia—I move the adoption of the report as a whole.

Seconded and unanimously carried.

Secretary Tregoe—With your permission, answering our Buffalo member, if he reads the report of the Legislative Committee he will find that Mr. Horton's name is especially mentioned. Mr. Horton was the special guest of the New York association at a banquet. I have thanked him many times, and I give assurance that as soon as I go back I will write him a special letter conveying to him the sincere appreciation of this convention. (Applause.)

President Salisbury—We shall now have the privilege of listening to an address by C. R. Burnett, of Newark, on "Our Responsibilities Under the National Bankruptcy Law." I take great pleasure in introducing Mr. Burnett. (Great applause.)

Before delivering his address Mr. Burnett said:

Mr. President and Gentlemen: If permitted to appear on a convention program again, I am going to make a special request that I be slated before the time of the dinner of the officers and directors. We had a dinner last night as you know, and it was some dinner. It developed into a songfest, and we found that there were such wonderful voices among those present, that we were compelled to repeat the entire program in the lobby of the hotel. (Laughter.) I do not know whether I am going to be able to get through my paper or not this morning, but like a credit man I am going to try. (Applause.)

Our Responsibility Under the National Bankruptcy Law

ADDRESS BY CURTIS R. BURNETT, NEWARK, N. J.

The word "Bankruptcy" has about as many meanings, as the famous Grecian Hydra had heads, and as the destruction of this reptile was one of the tasks imposed upon Hercules, so the correct interpretation of the law, and the bringing about of its proper administration has become a Herculean task; to the honest but unfortunate person bankruptcy means terror; to the crooked merchant, profit; to the unscrupulous

attorney, graft; to the insolvent dealer, relief; and the professional manipulator, opportunity.

Our responsibility is a double one, first to help make the present law effective, and second, to bend our efforts toward needed amendments.

The subject will be treated under two headings: The need of the law, and how we may aid in its administration.

THE NEED OF THE LAW.

In discussing the bankruptcy law, we should not forget its history in this country; those wise statesmen who framed the Constitution of the United States, and by the way, whose foresight, sagacity, and almost superhuman knowledge of the needs of that day, as well as later times, drew it with such skill as to make it well nigh perfect so that it has stood the test for one hundred and fourteen years, and yet been elastic enough to conform to the marvelous growth of the country, wisely incorporated into Article 1, Section 8, along with the powers of Congress to borrow money, regulate commerce, coin money, establish post offices and post roads, support an army and navy, etc., this clause "To establish uniform laws on the subject of bankruptcy throughout the United States."

Even in those days it was seen that the buyer might be located in one state, while the sellers' place of business might be another, and possibly many hundreds of miles away, and that under state laws with their preferences, lack of uniformity, prejudices against non-residents and exemptions, the jobber and merchant would never know whom to trust and chaos would reign.

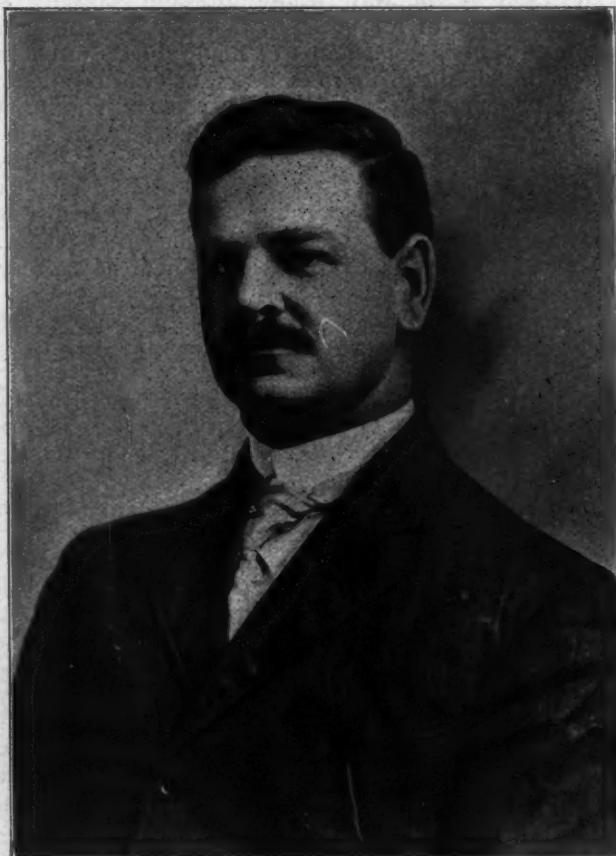
While the first federal bankruptcy law was passed by Congress in 1800, it may not be known to all present that there have been times since when there was no bankruptcy law, laws on this subject having been passed and repealed several times.

Many of you here today can vividly remember the last period from 1878 to 1898 during which there was no bankruptcy act in existence; those were the happy days for the opponents of the law, and it has opponents galore. Those were the days when the fellow who was "Johnny on the Spot" would pounce down upon the poor unfortunate tradesman, back his trucks up to the door and remove stock, fixtures, and everything that was not too hot or too heavy to handle; some of them to my own knowledge would even do this in spite of judgments that other creditors might hold, and in some instances, they have been known even to break into places that bore the sheriff's papers, and take out the goods, then sit tight and fight it out, while the other creditors could whistle for their money, and the whistle was usually all they got; all that was needed was nerve and a shrewd lawyer.

Conditions became unbearable, the honest unfortunate could not be absolved from his debts, and therefore, could not make a new start in life; credits were restricted, and trade and commerce suffered severely; therefore, in 1898 the present law, with amendments of 1903-1906 and 1910 became effective and the bankruptcy court, a great piece of legal machinery, was set in motion by the government, not to manufacture wealth for a certain class of lawyers, but to serve as a relief to legitimate business, to those who have been unfortunate. It is a court of equity, a business court for the *business man*; a court in which you and I may appear, select our representatives to administer the estate, examine the bankrupt, approve or object to every move that is made, and at the same time rest secure in mind that all preferences, by way of mortgages, pledges, sales, etc., will be set aside, and that if any creditors have made

seizures or received payments during the period of insolvency, they must give up the goods and turn back the money; what fairer treatment could one hope for or expect? No matter where you may be located your claim is filed with the referee at the place of failure, and your dividend is exactly the same as every other creditor; no credit man hesitates to fill an order nowadays on the ground that distance may make it hard or impossible for him to collect his account in case of failure.

The secretary of one of the largest trade organizations in this country had this to say with reference to the bankruptcy law: "The law



C. R. BURNETT
American Oil & Supply Co., Newark, N. J.
Director

is most excellent inasmuch as it places the creditors in a position to make inquiry as to the financial status of the debtor, but as a rule the assets are forced to sell very quickly often to the disadvantage of the creditors, and then by the time the referees and lawyers, and receivers get through there is not much left, and after discussing the subject with a very large number of wholesale dealers in various parts of the country, I am convinced that there is a general opinion that the results obtained

through bankruptcy proceedings are in the main extremely unsatisfactory."

The National Wholesale Grocers' Association is at the present time polling its membership as to its attitude on this subject. An eminent student and authority on bankruptcy law says "Don't let us forget that we cannot abolish business failures, nor do away with fraud or rascality by repealing the bankruptcy law; don't let us forget that we cannot get along without some court to administer insolvent estates nor without lawyers and judges and that repealing the law, would not repeal judges, lawyers, nor human nature, that the 'sharks' and 'robbers,' and 'frauds,' the 'rings,' and 'cliques,' that are said to lie in wait for insolvent estates would simply swarm back to the state courts after their prey."

We are now ready to consider the second phase.

HOW WE MAY AID IN ITS ADMINISTRATION.

You know, and I know that strong and influential efforts are being put forth to repeal this law. A fact, not a tendency, confronts us, and what is begun as a diagnosis may be prolonged into an inquest. Complacement credit men remind me very much of the old cartoon of the man up a tree —astride a limb—who was sawing it off between the trunk and himself. Glancing down at his young hopeful on the ground he said in his most suave tones, "Now Johnny, stand from under." Let me predict that you are riding to a fall; from East to West, North and South come wails and curses, complaints and threats, and if you do not rally at the call to service repeal is inevitable, and no one is to blame but yourselves.

Let us analyze: First. What happens when you receive notice of a failure? Do you grit your teeth, and say, "Damn," and charge the account to Profit and Loss? Don't do that. Grit your teeth if you will, say, "Damn" if you must, but put on your war paint and take the trail. File your claim, and file it direct with the court, don't give a power of attorney to anyone unless it be to one of our adjustment bureaus, and at that, one that has the full approval of the National office; attend every meeting that is called if near enough to your house, vote for trustee, examine the bankrupt if you suspect fraud, know what fee the attorney for receiver and trustee is going to ask, and fight if it is unreasonable; scrutinize the expense accounts of those in charge of estates and get other creditors interested and enthused.

We hear much these days about efficiency experts, business doctors and systematizers. A good place to begin is with the latest available figures showing bankruptcy procedure as published by the Department of Justice for the fiscal year 1913. There are 20,930 cases filed of which 7,465 were merchants or manufacturers; total liabilities were 227 millions of dollars, 177 millions of which were unsecured. To show the disgust of many creditors, those holding claims of sixty-one millions or 27 per cent of the total liabilities, did not ever see fit to file or prove their claims. This may possibly be explained in part from the fact that attorneys soliciting claims desire them largely to control election of trustees, and when that object is secured, have no further interest in the others. The total assets realized from all sources were fifty-two millions of dollars or 23 per cent.

Unsecured creditors received sixteen millions, secured creditors eleven millions, while expenses for all purposes reached the sum of \$9,766,000, the leading attorneys carrying \$3,171,000 or practically one-third of the whole. Stick a pin in this last and fasten it in your memory.

Credit is too cheap; how many of these 21,000 failures were of those who had no right to be in business for themselves and escaped the wielder of the blue pencil, who overlooked the potent factors of success, ability and experience; we have had drilled into us the enormous fire waste of the country; it is high time we put a check on this business drain also, which by the way is not to be charged to one of nature's elements, but to our own dear selves, another cause of the high cost of living.

How can we reduce the number of failures and increase the dividends? There is in many cities a class of attorneys who do nothing but trade on the misfortunes of the weak merchant. Their method of procedure is about as follows: They have claims sent them for collection and by comparing notes with their fellows find enough creditors whose claims will total five hundred dollars. They convince these creditors that bankruptcy is the only remedy and secure their consent to act as petitioning creditors—sometimes it is feared for a consideration. One of the gang files the petition, requests that another one be made receiver and either he or another of the inner circle becomes attorney for the receiver. Then the fun begins. Oftentimes the referee is prevailed upon by specious arguments to agree to a sale of the assets before the first meeting of creditors, so that when the creditors do come together and select a trustee, his duties consist of apportioning the dividends, if any, and winding up the estate. No opportunity is given for those familiar with the line in which the failure occurred to inspect the stock, suggest how or where it could be sold to produce the greatest return and to do the least harm in the market. The object of the prime movers in the case has been secured—a fat fee, as attorney for the receiver, and the more reasonable receiver's fee as fixed by law. After this manner is one of the most salient provisions of the law annulled.

Judge Learned Hand has exploded a bomb in New York City recently, by laying down a rule, to the effect that a receiver appointed by the court, upon the filing of a petition, shall act solely as custodian of the bankrupt's effects, and will be required within four days after his appointment to give creditors ten days notice of a meeting at which they shall select their own receiver. One of our large business organizations, the National Jewelers Board of Trade, passed resolutions at their convention, held in January commanding this ruling, and also urged that the custodian should not be allowed to appoint an attorney, nor dispose of assets except in case of necessity. Let our own Association in convention assembled pass similar resolutions, and our National office see that each local association is requested to lay the matter before the judges and referees in their respective districts.

There is also a newcomer on the bench in New Jersey, Judge Thomas G. Haight, who in speaking before a body of credit men, only a short time ago said, "The bankruptcy law is one of the most beneficent statutes ever written. I have been approached by some business men who have told me the law should be repealed; I do not agree with them. The purpose of the law is two-fold, its first purpose being to relieve a man who is so financially embarrassed that he cannot go ahead and carry on his business affairs; the second is to bring about an equal distribution of the insolvent estate among those entitled to it, namely the creditors." He further said, "The man who robs his creditors by fraudulently disposing of his assets is a greater menace to society and a more despicable thief than the burglar who enters a house in the dead of night to steal." He showed the courage of his convictions within a week after making the

above remarks, by sentencing five men who were convicted of concealing assets and failing for profit. One got the extreme penalty, two years in prison, two others, one year and three months in prison and \$1,000 fines, while the other two having given substantial evidence for the government against their colleagues were fined \$500 each, notwithstanding a plea from the United States attorney for a suspended sentence. With a few more judges like these, failing for profit will become less profitable and extremely hazardous.

The present Congress is composed of ninety-six Senators and 435 Representatives or 531 in all; there are fifty-one lawyers in the Senate or 53 per cent and 247 lawyers in the House or 56 per cent while only eight that can be classed as business men, and two bankers are in the Senate, and only thirty-four business men and four bankers are enrolled in the House. Lawyers are all right in their place, but the country would be better off if we had more business men and fewer lawyers in Congress and in our state legislatures at the present time. Our problems are economic and commercial and should be viewed and settled by the trained business mind. Here is a golden opportunity for some of you to serve your state and nation to good advantage and if duty calls, make the necessary personal sacrifice, and accept the office.

The last amendments to the bankruptcy law were framed by our own Association or by business men, before that by lawyers. Many feel that recent experience has taught that other amendments would be helpful. Why should not the law read that receivers should be required forthwith to call a meeting of creditors on ten days' notice, at which time they shall select their own receiver, and in the meantime the receiver appointed by the court shall act as a mere custodian and shall not be privileged to select or appoint an attorney or sell or dispose of any of the assets. Another suggestion is, that if the foregoing be enacted, the double office of receiver and trustee be done away with and the trustee elected at the first meeting of creditors perform the duties now assigned to both, for this step would do away with double fees. As at present administered, the expense of fees to receiver and trustee, in nine cases out of ten the same person, makes a large hole in the assets. The government appoints the referees: it should also appoint the attorney for receivers and trustees—he should be a lawyer, and not be permitted to practice during his term, but confine his labors to the winding up of estates, and receive a fixed salary. Better still why not have a trustee in every district (a business man, and not a lawyer) who shall act in all cases, together with a committee of three or five creditors, selected by the creditors themselves, they to receive no compensation, but pass upon all matters of importance; the trustee to receive a fixed salary and not engage in any other business during his term of office. Many districts are congested because the referee is overworked, cut off his fees and give him a fixed salary, and you will see great improvements, as he will complain if compelled to do too much for his money in which case additional referees will then be appointed and the necessary relief be obtained.

Our attitude should be entirely helpful. We must not criticise without suggesting a remedy; we should make our judges and referees feel that when they do right, we will support them, while at the same time, incompetence, neglect or delay should not be countenanced. To the legal fraternity, praise should be unsparingly given when a high standard is set, while against those who are pulling down the bulwarks by all means at their command, relentless warfare should be waged.

Should we as credit men be called upon to act as receivers, trustees, appraisers or advisers, let us respond willingly, not for the pecuniary compensation, which in most cases would not be a real return for services rendered, but to strengthen, uphold and protect that which is vital to the extension and development of trade.

And, now, my fellow Credit Men; the stage is set, the auditorium is filled with spectators, the curtain has been rung up, go on, act your part, win the applause of the business world, and receive the financial rewards that a true administration of the bankruptcy law will surely bring. (Great applause.)

President Salisbury—The next order of business is the report of the Bankruptcy Law Committee, F. H. McAdow, Chicago, chairman. This report will be read by H. L. Eisen, of Milwaukee. (Applause.)

Mr. Eisen—I would ask the secretary to read the resolutions and place them before the convention. (Applause.)

Report of the Committee on Bankruptcy Law

To the Officers and Members of the National Association of Credit Men.

GENTLEMEN:—

Your Bankruptcy Law Committee developed this year activities differing in a large measure from those of former committees which directed their attention to improvements in the law or to the defense against attempts to repeal. As we have learned to expect there were offered during the extraordinary and regular sessions of the present Congress several amendatory and repeal bills, but a survey of the congressional situation and assurances received led your committee to conclude that not one of these measures would be favorably reported out of committee.

Following the analytical work of the Bankruptcy Law Committee of last year it was obvious that much complaint against results in bankruptcy cases was not from any inherent fault in the law or a lack of adequate provisions for equality and protection to creditors, but from failure of creditors to recognize those provisions of the law designed for their equal treatment and protection and failure to take advantage of such provisions. There are three distinct features in the law which tend to the protection of creditors and which should be availed of in all bankruptcy cases. Their neglect has fostered those practices that are directly responsible for very nearly all prevailing complaints. These provisions are:

- (a) The right of creditors in meeting to examine the bankrupt under oath.
- (b) The right of creditors in meeting to select a trustee subject to the court's approval.
- (c) The right of creditors in meeting to examine the final accounts of the estate.

If these privileges were availed of in every instance the law would be generally recognized as a beneficent institution. Owing to the indifference of creditors toward these privileges and their failure usually to take a direct interest in bankruptcy cases, there has developed a system of representation which leads to trading in bankruptcy courts, ambulance chasing for claims and a lack of incentive for referees in bankruptcy to exert the proper effort for businesslike and adequate administration.

Your committee believed at the very beginning of its year's service that there should be three points of attack for an improved administration and a gradual bringing of the law into its proper sphere as a measure of great value to domestic commerce and the reduction of commercial fraud—these three points of attack being the United States District judges, the referees in bankruptcy and creditors.

The first step was to obtain from the federal judges for your committee and the National office, their cordial permission to present properly sustained complaints upon referees' courts and individual cases in bankruptcy where, in the judgment of responsible creditors, the law had not been properly or adequately administered.

Recognizing how distinct a movement this was as also the dignity surrounding the federal bench, your committee prepared carefully a communication to the United States district judges presenting in a simple yet direct fashion the value and need of their co-operation in bringing about an improved administration of the law and soliciting the privilege of presenting to them properly sustained complaints.

This communication was cordially responded to by a large number of the judges, much larger than your committee anticipated; and following that correspondence there have been several cases submitted under the privilege granted leading usually to the correction of dilatory practices or unbusinesslike methods in referees' courts.

Your committee has through every available associational channel such as literature and meetings, endeavored to arouse in credit men a recognition of their responsibility under the law and to make them recognize how their previous indifference had cultivated the unbusinesslike practices which affected distributive results in bankruptcy cases. The members of our Association have been urged to attend in person or by proper representation all bankruptcy cases in which they are concerned as creditors, and to cease placing their claims with the first agency that solicited them or filing them direct with the referees in bankruptcy, practices which have opened the way for the development of trading in bankruptcy courts for the control of the election of trustees, the selection of attorneys, and other abuses which could be overcome only if creditors met their responsibilities under the law.

There have developed in some cities what are known as bankruptcy cliques, which aim to control bankruptcy cases in their districts, and to use that control for their unduly large and unfair remuneration.

Unquestionably the educative and direct effort of your committee has borne good fruit, for we can discern an awakening interest in credit men toward their responsibilities in referees' courts, toward a brisk and business like administration of the law, and in federal judges, toward a keen appreciation of its provisions for the maintenance of equality and protection between creditors.

Your committee has no hesitation in saying that the forward movement for an improved administration of the bankruptcy law is fairly on, and should be continued by the direct efforts of succeeding committees and the sincere and generous co-operation of every member of the National Association of Credit Men.

It is not possible for your committee to mention all the interesting incidents of the year or the decisions whereby their belief in this forward movement may be confirmed, but United States district judges have conferred with the executive officers and committees of your Asso-

ciation, and in the Southern District of New York and Northern District of Illinois, there were rulings which eliminated the interested attorney checking to that extent therefore the trading system.

It will be interesting for members of the Association to study closely the rulings in these two districts and to note the tendency in others toward the elimination of the professional bankruptcy lawyer and his ilk.

There have also occurred notable instances where bankruptcy fraud was severely punished, and your committee believes it is more difficult under the present conditions to perpetrate a fraud in bankruptcy than previously has been the case.

As a final effort your committee prepared and sent to each of the United States district judges a communication seeking their co-operation in a close supervision of referees' courts so that certain evils might be eliminated. Principal among these were collusive bankruptcy; bulking and division of fees between attorneys and trustees; vexatious and unnecessary delays in the administration of bankruptcy estates, over-allowance for services of attorneys; ambulance chasing for claims to control trusteeships.

Your committee in presenting this brief history of its year's work with some of its conclusions, urges sincerely a deep interest in all members of the Association toward an adequate and businesslike administration of the law, an interest which may be best and most effectually expressed by doing that which will defend the law in bankruptcy cases, taking part in creditors' meetings or arranging to be represented by those who will act in a representative and not a selfish capacity.

It is the belief of your committee that a growing appreciation of the equality and protection guaranteed by the bankruptcy law has increased the number of its friends and that there prevails at present a preponderance of sentiment among the credit men of the nation favorable to the law and its maintenance as a national measure of equality and protection alike for creditor and debtor.

It is discovered that some of the retail merchants favor amending the law in such manner as to eliminate from its effect individual debtors of small amount. Such an amendment, from some viewpoints seems reasonable, but upon a careful analysis it would, in the judgment of your committee, prove a mistake were individual credits made easier and the retail merchant not confined within the limitation that induces care and discrimination in his credit granting. Individual credits as a whole are not checked with the same system and the real caution which control in the checking of commercial credits, and it would not only prove a mistake in the judgment of your committee to exempt the small individual debtor from the privileges of the law, but it has been a consistent attitude of successive judiciary committees of Congress to refuse such concession since it might be regarded as preferential.

It is the history of all legislation that changes are desirable and necessary as conditions change which the law affects, and in the opinion of your committee it is advisable, in conference to consider the law in its relation to developing conditions and to suggest such amendments to Congress as may insure us meeting more effectually situations that were not in evidence when the law was first written or later amended, and especially amendments looking to the simplification of the law's provisions for punishing commercial fraud.

It is the belief further of your committee that every encouragement should be granted to United States district judges for the appointment of

properly qualified referees in bankruptcy. The question of qualification is one of deep importance in an adequate administration of the law and it would be economic were such compensation allowed as would induce qualified men to accept the office of referee and lend to the administration of cases good judgment, economy and expedition.

The effective administration of the law is bound up in the personal equation of those officially concerned with its administration and now that the federal judges are rising to a due recognition of the law's position as a national asset, the credit men are taking a larger degree of interest in its administration, many of the referees are being aroused to a keener interest in economy and expedition in bankruptcy practice, we have every reason to feel encouraged over the outlook and to carry forward our work with confidence.

It may devolve upon future committees critically to analyze administrative costs and such an analysis and observation should be encouraged as we reach a proper relationship between bankruptcy courts in general and our Association. The appreciation is growing, your committee believes, that our Association's efforts for the improvement of the law conforms with its ideals of waste saving, that it is actuated by motives of protection to debtor and creditor and the development of honest business.

We should realize more clearly that a petition in bankruptcy means the turning over of the estate and assets of the debtor to the creditors. From that time forward the creditors are really the trustees charged with the responsibility of managing the property, first in their own interest, and second in the interest of the debtor. The courts and referees are the agents of the creditors for this purpose.

When creditors recognize this responsibility more clearly and discharge this duty conscientiously and carefully, the results will be more satisfactory, while the law will be permitted to accomplish its purpose more completely and successfully.

Your committee begs to tender the following resolutions:

I

"Resolved, By the National Association of Credit Men in convention assembled, that it reaffirms its belief in the principles of the National Bankruptcy Law for the guarantee of equality and protection in the administration of insolvent estates.

II

"Resolved, That the sincere thanks of the National Association of Credit Men be tendered the United States district judges who have encouraged a relationship with business organizations that will tend to the elimination of certain common evils in bankruptcy administration.

III

"Resolved, That every effort be encouraged through the Association literature and business meetings to have the credit men of the nation assist in improving the administration of the bankruptcy law by taking a direct interest in all bankruptcy cases which concern them as creditors, attending creditors' meetings or arranging for representatives who will act in a genuinely representative capacity.

IV

"Resolved, That local associations be urged to appoint properly qualified bankruptcy committees, the purposes of which shall be to observe local bankruptcy conditions, the operation of local bankruptcy courts, and report to the National office all cases which they sincerely feel are not administered according to the true purposes of the law.

V.

"Resolved, That a cordial relationship be encouraged between all of the associations, local bankruptcy courts and United States district judges, so that matters affecting the administration of the law can be conferred upon in friendly manner, complaints considered, and a mutual effort carried forward for that equality in administration which will insure the best protection alike to creditor and debtor."

Respectfully submitted,

S. A. SCHELTES,
F. H. RANDEL,
H. L. EISEN,
A. R. DARRAGH,
W. B. MUNROE,
W. G. DAVIS,
R. H. HITCHCOCK,
O. S. KULMAN,
CHAS. REYNOLDS,
F. H. McADOW, *Chairman.*

Resolutions read by Secretary Tregoe.

President Salisbury—The open parliament on the report and resolutions will be led by Charles Reynolds, of New Orleans, and George B. Cole, of Toledo. Mr. Reynolds. (Applause.)

Charles Reynolds, New Orleans—It is indeed unfortunate that the convention has not had this report read, for you are missing a great deal of valuable data given in the Bankruptcy Law Committee's report. You have heard the interesting and practical talk of Mr. Burnett and you will take it home with you.

When the bankruptcy law first went into effect in 1898, credit men generally thought that it was a panacea for all of their ills. They studied and devoured every paragraph of the law; publishers sold hundreds of copies; and every time a failure occurred, creditors thought they could throw the insolvent into the bankruptcy court and get a hundred cents on the dollar. This impression lasted a year or more, when gradually some of the law's weaknesses began to appear, and credit men generally lost all interest. This lack of interest has continued to grow and has been turned into disgust and indifference, and it is really equal to the cry of fire at a creditors' meeting to say, "Put him in bankruptcy." You will hear on all sides, "Why, everything will be eaten up in costs."

Now, is this attitude towards the cost question of the bankruptcy law correct or not? Unhesitatingly, I answer, yes. But I come back to the subject. It is the indifference of creditors that is responsible for the poor results under bankruptcy law practice. Every time a failure occurs, you, like myself, fuss and fume about it. But what have we done to get divi-

dends and results under the practice of the law? We have put it up to the referees to get us good dividends instead of attending each and every meeting and voting for the proper kind of trustees.

The law has many, many good features. I was in the past never enthusiastic over the bankruptcy law, but I have come to the conclusion that it presents many advantages over the various state insolvency laws. I strenuously oppose its repeal, because I feel that we really have not tried it and I am going to quote some figures to prove my contention.

In 1913 the total dividends for the entire United States to unsecured creditors on voluntary and involuntary cases amounted to 30 per cent of the total assets. The total attorneys' fees were 16 per cent, an amount which would have gone to the unsecured creditors had there been no attorneys' fees.

The percentages vary in sections. Now, remember, that the attorneys' fees for the entire United States average 16 per cent, while in the southern district of New York they were 51½ per cent, where dividends to unsecured creditors were \$1,155,105 and the attorneys' fees \$1,251,127. In the northern district of New York the attorneys' fees were 12 8-10 per cent; in the eastern district 9 per cent; in the western district 12 per cent; in the northern district of Illinois 12 per cent; in the southern 6 per cent; in the eastern district 16 9-10 per cent. In the eastern district of Louisiana (like New York, they were bad), being 31 per cent; in the western district of Louisiana they were 5 6-10 per cent. In the state of Maine they were 11 per cent. These figures were selected at random, and others may be worse or better. They are taken from the attorney general's report and are therefore authentic.

In the field of the dividends like differences are found. The total dividends to unsecured creditors for the United States, as stated, average 30 per cent. In the southern district of New York they were only 12 per cent net out of the total assets turned over to the bankruptcy court; in the northern district of that state they were 35 per cent; in the northern district of Illinois they were 32 per cent; in the southern district of Illinois 49 6-10 per cent; in the western district of Louisiana they were 30 per cent and in the eastern district 11 per cent.

On behalf of New Orleans I want to tell you that our board has recently put into effect some changes that we hope will bring about better results, and when we come back to the convention next year we are going to try to tell you that it has done so.

As I mentioned, the southern district of New York has paid out more in attorneys' fees than the unsecured creditors have received in dividends. This indicates that there is something fundamentally wrong with the business administration of the law. Heretofore we have devoted our efforts to the commercial end of it, but I recommend that we now study the cost question and scrutinize it very carefully. I believe that through the national and local associations it will be possible to bring about remedial legislation and such corrective measures as will give us better results. (Applause.)

I had some other recommendations that I wanted to make, but I will not take the time of the convention. (Great applause.)

President Salisbury—We will now hear from George B. Cole, of Toledo, who follows Mr. Reynolds. (Applause.)

Mr. Cole—I do not want to stand before you this morning feeling like a certain man, who got into some difficulty with a neighbor, or thought he had. He spoke to this neighbor in a very vigorous way one

morning, asking why he had in a talk with another man called him a thief. The neighbor looked at his accuser a moment and said: "I certainly did not call you a thief; I had no intention of saying such a thing as that to Mr. Morgan; the fact of the matter is I thought he knew it." (Laughter.) Rather than have you say such a thing as that of me, I am going to try to keep within the time allotted to me.

Now, the ground has been pretty well covered on the topic given to me, "How Business Men Can Get a Better Administration of the Bankruptcy Law." After all, it seems to me, that there is where the emphasis ought to be put at this time, as has already been said by those who have already spoken. You have all heard of the man of Bible times who was to go and see what he supposed was a dead man along the road, and asked his friends to saddle for him the animal on which he was to go. A certain preacher upon an occasion stated it this way: "Sons, prepare for me the ass upon which I shall go to see this man," and the preacher, emphasizing it a little differently than the Scripture intended it, in speaking of the sons having carried out the father's wish, put it this way, "and they saddled *him*." (Laughter.) And so it seems to me that some of us as credit men are somewhat inclined to put the emphasis where it ought not to be, and leave it off where it should be many times. Each of us can and ought to do something, for all men, whether they will or not, exercise an influence, great or small. As some one has said, "The span of each one's life is more than an unmarked passage."

It is your influence for a better administration of the law for which I plead. From personal knowledge, I know that judges and referees, as has been referred to in the report, are inclined to a better administration of the law and will encourage you in trying to correct the abuses. But they rely upon you to help and point out the abuses and to prosecute all who attempt to defeat the purpose of the law.

Some reference has been made to the attendance upon bankruptcy meetings. The law contemplates your attendance upon the joint meeting and you are given notice of the time and date thereof. How faithful have you been in the exercise of your privilege under this provision? What a surprisingly minus quantity the creditor is at such meetings.

The matter of sending accounts to attorneys has been referred to also. My experience has been, and I think yours also, that many credit men are today sending their accounts to attorneys (ambulance chasers, as the report calls them), and it seems to me this practice should be discountenanced, that we should set our mark of disapproval upon such methods. I think likewise that the practice of sending claims direct to referees is a bad one, because in such instances those who are corralling the accounts are enabled to control the estate. It seems to me the better way would be, as was suggested by him who just preceded me, to arrange for a proper representation at such meetings. Under these conditions, with one man in charge and control, you can readily see that all too frequently asset-consuming practices are indulged in.

The following is a case in point that comes to me. An estate reported to have amounted to \$20,000 at the opening of the proceedings and showing assets in excess of liabilities of \$2,000 was later consumed somewhat in this manner: There was \$5,000 to be finally distributed to the creditors; \$1,500, or one-third, of the amount given up to the creditors was distributed among attorneys for the bankrupt, attorneys for the receiver, attorneys for the trustee, attorneys for petitioning creditors, attorneys for special receivers, and special compensation to receiver and to

trustee, and court costs. Such practices should not be allowed. And, in my judgment, only an active attendance at the meetings will obviate this. It is your duty to give each case your active support.

We should urge, and as far as practicable insist, on the election of men of business experience as trustees and upon the use of business practices in the liquidation of estates. We should give every possible encouragement to trustees in running down clues to secreted assets, in objecting to and contesting excessive claims, whether by attorneys or bankrupts. It should be a part of our business to know what fees are paid for, and to protest the allowance of any that are not actually earned. As has already been said, we should encourage the trustee by providing against unnecessary haste in disposing of stocks. We should have a meeting of creditors early and have a better attendance of creditors at the meeting.

In closing, I want to say that the judge of the bankruptcy court in our district has recently reopened a case that had been closed three years, and a dividend of 40 per cent was later received by the creditors from this estate. When the matter was brought to the attention of the judge, he made these remarks: "What now concerns me most is the discovery that such a fraud as here existed could be perpetrated, and that so inefficient an administration in bankruptcy may happen without attracting the attention of the court. The law aims to put the administration of the affairs of the bankrupt into the hands of the general creditors, and the court's relation to a case is formal merely unless a special application is made." Can we, as credit men, afford not to inform ourselves as to the status of each case, and then, with the information at hand, can we afford not to use it to the advantage of the estate? No, not if we are honest in our desire for better administration. (Applause.)

James B. Dwyer, Buffalo—If it be in order, I would move that the rules be suspended and that the resolutions be read and adopted as a whole.

Seconded by Mr. Ellis, Pittsburgh, and so voted.

Mr. Ellis—I now move that the resolutions be adopted as read.

J. M. Smith, New York—May I ask if we can vote intelligently upon that question until we know what the resolutions are?

President Salisbury—They have been read, but I think they ought to be read again, unless it is your wish that you take a vote upon the resolutions at once.

Calls for the question.

Motion put and carried unanimously.

F. W. Risque, St. Louis—I now move that the report as read be adopted as a whole. Seconded and carried unanimously.

J. H. Kentnor, St. Louis—I wish to inquire if it would be possible to have the rules suspended for just a very few moments. We have all read in the paper this morning of the disastrous fire that has occurred in Salem, and I think it would be fitting that a resolution be adopted and forwarded to the mayor of that city, and if the convention will give its consent I would like to read the resolution.

President Salisbury—Would it not be just as well to have that resolution referred to the Committee on Resolutions, which will report this afternoon, and the resolution can be so drawn that the telegram can be sent. I make that as a suggestion. If it is the wish of the convention, and there are no objections, we will hear your resolution.

Mr. Kentnor—I understand that Mr. Ford and some of the other citizens of Rochester are greatly interested in Salem, and for that reason in part, as well as on account of the loss of property and life, the resolution was prepared; but if you prefer to have it referred to the Committee on Resolutions we can hand it over to them to incorporate in their report.

C. D. Mixter, Worcester—I should like very much to see that resolution go through this morning, if possible, in order to have the telegram sent this forenoon.

President Salisbury—It is requested that the resolution be presented at this time, and if there are no objections will you offer the resolution? Resolution read as follows:

To the Honorable Mayor and the Citizens of the City of Salem, Mass.:

"WHEREAS, The National Association of Credit Men in convention assembled at Rochester, New York, this 26th day of June, 1914, is advised through the telegraph dispatches of the terrible calamity which has befallen the city of Salem; now, therefore, be it

"Resolved, That this convention tender to the stricken city of Salem, to its business men, and its citizenship at large, our sincerest sympathy in this hour of distress and financial loss; and be it further

"Resolved, That this resolution be spread upon the minutes of this convention, and that a copy thereof be forwarded to the mayor of Salem and given publicity in the daily papers."

Mr. Kentnor—I move the adoption of the resolution. Seconded by Mr. Mixter, of Worcester.

Motion put and unanimously carried.

President Salisbury—The next number on our program is an address by Elliott C. McDougall, president of the Bank of Buffalo, on "The Interdependence of Banking and Business."

The Interdependence of Banking and Business

AN ADDRESS BY ELLIOTT C. McDougall, BUFFALO, NEW YORK.

Mr. President and Members of the National Association of Credit Men, and Guests:

In this address I shall use the word "bank" to represent ordinary commercial banks and such trust companies as do a commercial banking business. My remarks do not apply to savings banks, credit unions, savings and loan associations and similar organizations.

First, let me, without further argument, fully admit that banks are dependent upon business. Were there no business there would be no banks. Not only does the very existence of banks depend upon the existence of business, their prosperity depends upon the prosperity of business. Banks are not producers; they are simply instruments that business uses. With this frank admission from a banker, without reservation, of the absolute dependence of banks upon business I dismiss this side of my argument.

Business men have gotten so accustomed, as a matter of course, to the facilities furnished by banks that unless expectedly deprived of those facilities they do not realize their dependence upon them.

In primitive times trade was carried on by barter. If A had a cow to sell and B had sheep to sell, A and B would get together, agree upon how many sheep were worth one cow and make the trade. If it happened that B, who had sheep to sell, did not want a cow but wanted

pigs, the trade could not be made. If they could find a third man, C, who had pigs to sell and wanted a cow, all three could arrange a triangular operation by means of which B could give A the sheep, A could give C the cow, and C could give B the pigs. The result would be three different values to be exchanged. The primitive way of arranging this would be what children do—"give something to boot." That something would naturally be a staple commodity like grain or vegetables or anything else in general use and desirable to all parties at all times. This brought about the practice of using such commodities as standards of value. In some countries men were rated as being worth so many cattle. Prices of cattle and grain and such commodities fluctuated with the supply and demand. If a man sold his grain crop for its equivalent in cattle and then cattle were found to be abundant and their prices fell, he suffered a loss. Men sought for some way of evading such losses. They sought a medium of exchange, the value of which would be the most stable, in which the fluctuations either way would be the smallest possible, of small bulk, easy to transport and store. Gold answered these requirements better than any other equivalent, and gold was established as a medium of exchange. This answered very well except for the expense and risk of transporting gold, which were very much greater than now.

I have seen it stated, but have not verified the statement, that the original bill of exchange was drawn by a man in Africa upon a banker in Rome, Italy. A in Africa owed money to B in Rome. The settlement was to be in gold. The only practical communication between Africa and Rome was by sea. A did not dare to ship the gold to Rome for fear of the Barbary pirates which infested that part of the Mediterranean Sea. A found in Africa a man, C, to whom a banker in Rome owed money. A bought from C, C's draft upon the banker in Rome. A sent the draft to B in Rome, as he could safely do so because such a strange document would not be likely to be noticed by the pirates; if noticed they might not know its value, and even if they had noticed it and known its value they would not have dared to present it in Rome. B in Rome took the draft to the banker and got his gold. This arrangement was found so serviceable that it became a custom. As business grew men in Africa owed men in Italy, and men in Italy owed men in Africa. The primitive way of settlement would be for each debtor to settle with each creditor. A better way would be to find the total amount of debts owing by Italy to Africa and the total amount of debts owing by Africa to Italy, strike the difference and settle for only that. The only way in which this could be done was through bankers. When bankers were ready to do this business the public went to them of its own accord. Out of such simple transactions grew the vast system of foreign exchange, by which the business of the world is now transacted, but the volume of foreign exchange is small compared with the volume of domestic exchange, which we hardly ever think of seriously, which is conducted by the banks of our country, the principles of which in no way differ from the principles of foreign exchange. There is no vital difference between exchange transaction between New York and Ohio and exchange transaction between New York and London.

The public has become so accustomed to bank collection facilities that, without reflection, it does not appreciate them. Any merchant, in good standing, can take a check upon any point in the world, walk to his bank, and, without preliminary notice, deposit it, get credit for it in his account and draw against it at once. To appreciate what this con-

venience means, suppose the proceeds of checks were not credited in a merchant's account until they had first been sent for collection and returns received by his bank. That would be serious curtailment of collection facilities. Now go one step further: Suppose that a merchant, instead of depositing his checks in a bank or sending them for collection through that bank, were obliged to collect each separate check himself. That would be absolute abolishment of bank collection facilities. One month's trial of such a system would impress upon any depositor the value of these facilities. In the panic of 1907 the banks were receiving on deposit checks on a number of points from which they did not receive prompt returns. A bank in Buffalo was taking on deposit items on Pittsburgh and allowing its depositors to check against them, not knowing when the conditions would change. While Pittsburgh was one of the worst points on the map, the difference between it and a number of other points was only in degree. Suppose banks had refused to take on deposit or for collection from their customers checks on Pittsburgh and other hard points until those points were remitting promptly. Bank customers would have realized the value of the collection facilities which they had been enjoying.

The principal business of a bank is not to deal in cash, but to deal in credit. Let any business man look over his daily deposit tickets and see how small a percentage of the total of his daily deposits is in actual money. Even if we call bank notes and "greenbacks" money—and they are not real money, they are simply promises to pay money, instruments of credit—the total amount of checks on a merchant's deposit tickets is, as a rule, very much greater than the amount of cash. It is true that in retail business the amount of cash often exceeds the amount of checks, but, in the total bulk of many bank's business, the amount of cash does not equal one-tenth of the amount of checks and other credit instruments.

Suppose Jim Smith hires John Jones to build a factory. Jim Smith goes to the bank and borrows ten thousand dollars to help him pay John Jones for building the factory. Jim Smith gives his note to the bank, and the proceeds are put to his credit upon the books of the bank. In common language, Jim Smith have merely "swapped his credit" in the form of a note for the bank's credit in the form of a balance on its books. Jim Smith then gives John Jones a check for \$10,000, which John Jones deposits in the bank. In this transaction not one dollar of actual cash has passed, and yet business has been facilitated by means of the extension of bank credit. The system of credit in this country has been so highly developed that a proportionately very large amount of credit is based upon a proportionately very small amount of cash. The more the percentage of cash in proportion to the total amount of credit can be reduced, the more economically can business be carried on.

We have become so accustomed to government printing and furnishing of currency, either as its own obligation or as the obligation of a national bank which cannot be issued until first obtained from the government, that we forget that there is no essential difference between a bank's liability on its currency issued and its liability in other forms. Whether a bank issues to its customer its cashier's check upon itself, which he can present at will, or credits him the same amount in his account, against which he can draw at will, or issues to him its notes in the shape of currency, which he can present at will, the bank's liability and risk in all cases are exactly the same.

When banks are timid, business suffers. In times of uncertainty, such as the present, bankers not only curtail loans, but, by advice and example, induce customers to avoid new enterprises, extensions of their business and all operations involving anything more than simply keeping routine business running. Today bankers discourage customers of average strength from entering on extensions or new operations. If a customer persists, his banker will refuse to lend him money to facilitate such extensions. When everything is going smoothly, the ordinary depositor pays very little attention to his banker. When business is dull and the outlook uncertain, he goes to his banker for advice. In times like these there is very little encouraging advice which a conscientious banker can give. Scattered throughout this country are over twenty-seven thousand banks. You can imagine the effect on general business if the great majority of bankers are giving their customers discouraging advice. Suppose that the great majority of doctors were giving their patients discouraging advice and very little hope, what would be the mental condition of those patients? How fit would they be for the new enterprises and new risks? With how much buoyancy would they approach them? Bankers are human, and like other men may be mistaken, but whether a banker be mistaken or not there is no doubt that, as a rule, his spoken opinion is his true opinion.

In times of panic, confidence is shaken and credit is rudely disturbed. Many people demand cash instead of credit. Credit is sharply contracted and depression follows. Even were the amount of cash in banks not reduced, credit would suffer violent contraction. Not only is the amount of credit based on each dollar of cash reduced, but the number of dollars of cash, upon which credit is based, is also reduced so that there is a double contraction. In this contraction of credit not only are borrowing operations curtailed but collection facilities also. You have only to go back to the year 1907 for confirmation of these statements.

Another point that the authorities in Washington and very many business men do not appreciate is the difference between the ordinary liquid banking capital required in the form of credits by merchants and manufacturers and permanent investment capital required by corporations or individuals wishing to mortgage their plants to secure an issue of bonds, or by a corporation which wishes to market its stock. An ordinary commercial bank has nothing to do with these propositions. They are handled by investment bankers. The ordinary liquid banking capital used in the form of credit by merchants and manufacturers is so free that any combination to control it is impossible. On the other hand, if a railroad wishes to issue one hundred and seventy million dollars worth of bonds, and wishes to have them underwritten before it dare enter into contracts for the construction of its road and equipment—as did the Interborough Rapid Transit Company in New York a short time ago—such immense issues can be handled only through combinations. They are not proper matters for ordinary commercial banks to handle. They involve special risks and the tying up of capital in permanent investments depending on their resale to the investing public. There is no doubt that in such cases people with securities either not sufficiently well known or not sufficiently good to command a quick public market have been made to pay high prices for floating them. What has the relation of the ordinary merchant and manufacturer with his bank to do with propositions of this kind and why should his relations with his bank be interfered with by ridiculous laws because a great many promoters have

been dissatisfied either because they could not float their securities or because they were charged good stiff prices? Certain men, whose names I need not repeat, have been unable to obtain, in financial New York, everything that they asked on behalf of enterprises which they were promoting. That is no good reason why they should inconvenience Jersey City, Hoboken and Newark, apparently for no other reason than to punish New York. The great majority of banks in New York City are commercial banks and have nothing to do with the flotation of securities.

Banking, like every other business, is the result of natural growth. Banking laws should be simply a codification of the principles which experience has taught are necessary for the proper conduct of banking. Bankers are not alone in their fears for railroads, manufacturers, traders and all classes of business men are apprehensive that they may be brought under the jurisdiction of unwise laws framed by theorists. Every business man is interested in banking laws. Unwise banking laws will damage the business man much more than the banker.

The merchant or manufacturer gives to his financing only such time as is absolutely necessary. His financial basis soundly established, the success of his business depends upon concentrated effort in other directions. Finance is the banker's entire business. He is watching his interests every hour of the day. He can and will shift to the merchant and manufacturer the greater part of the burden of unwise banking laws. Before a bank can lose the merchant and manufacturer whose obligations it holds must lose everything they have. They may lose half of what they have and still the bank will not lose one cent. This is exactly what has been going on since 1907. The surpluses of many banks have been steadily rising, while an unusual proportion of their customers are worth less today than they were in 1907.

Our legislators have gone crazy on theory. We have resigned ourselves to the conviction that there is nothing for us to do but to submit to any laws which they may see fit to pass. What we need in legislators is plain common sense, in ourselves, spirit to insist on our rights.

Much of the trouble with the financial laws which have been passed and regulations issued lately at Washington is due to the fact that they are passed and issued without knowledge of actual conditions. Washington assumes that certain conditions exist. Congress passes laws to meet those conditions. If these assumptions be wrong no laws, based on such assumptions, can possibly be right. If all assumptions were right Congress still might make a mistake in every law. As a matter of fact, representatives of the present administration have repeatedly announced the existence of conditions which many business men and practically every banker know do not exist.

One of the principal contentions is that large and powerful banks dominate and dictate to small banks. As a matter of fact the opposite is true. No large bank in New York City, however powerful, can dictate to a Rochester bank for the reason that any New York bank would like to get or keep the account of the Rochester bank. The Rochester bank does not have to please the New York bank. The New York bank has to please the Rochester bank. A number of large New York banks compete actively for bank accounts. The situation is analogous to one in which there might be ten out of town firms trying to sell the same line of goods to one firm in Rochester. The Rochester firm might be small as compared with any one of the large firms, but unless there were some artificial combination between the large concerns, which would dictate,

the ten sellers or the one buyer? Washington answers—"There is a combination between the large New York banks." Absolutely this is not so in such matters and for such purposes. Every banker, who knows anything about his business, knows this. Take a large bank in Rochester and consider it with regard to its relations to the small banks in the adjoining territory. Does the large Rochester bank dictate to a bank at Avon or Honeoye Falls? Can it in any way control the smaller institution? Politicians will tell us "Yes," but the Rochester banker or the banker at Avon or Honeoye Falls will tell us "No." Every business man can see that the Rochester bank could not possibly dictate to the smaller bank except in extreme cases where the smaller bank was very weak and needed assistance and did not have good enough credit to go to the Rochester bank's competitors. Such cases are so very rare that they have no general application.

Above all, our banking system should be kept out of politics. It is most lamentable that it is now in politics. The Federal Reserve Board, of which I shall speak later, is so constituted and appointed that it cannot possibly be otherwise than subject to political pressure. The present secretary of the treasury and comptroller of the currency will be ex officio members of this board. Future secretaries of the treasury and comptrollers of the currency will succeed them. The present secretary of the treasury and comptroller of the currency and the secretary of agriculture are now the organization committee. Their selection of reserve cities and allotment of their districts bear plain evidence of ignorance, prejudice and politics.

To show that the conduct of the Federal Reserve Banks under this act cannot be divorced from politics, let me quote from the act. Section 2 provides:

"That the districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any state or states."

This clearly means that if the convenience and customary course of business require that Jersey City, Hoboken and Newark should be in the district of which New York City is the centre, the organization committee is required to put them in that district. Instead, these cities have been put in the Philadelphia district in spite of their protests. They naturally wish to do business with New York. The organization committee, in absolute violation of the terms of the act which I have just quoted, has refused their request. If, at the very inception of this enterprise, prejudice and politics enter into it to this extent, what can we expect for the future? The organization committee has given two reserve centers to the state of Missouri, from which one of its members come, one to Richmond, Virginia, a comparatively unimportant business center, from which one of its members come, and has refused one to the great commercial center of New Orleans. In view of the close interdependence between banks and business men, these violations of fundamental principles and of the plain terms of the law are worthy of attention by your Association.

The federal reserve law provides that every national bank in the country must subscribe to the stock of the federal reserve bank in its district or go out of business within one year. The words "one year" are misleading, as every national bank must signify its intention to join within sixty days, so that it has not a year to observe the workings of the system and to make up its mind whether or not it would be ad-

vantageous to its stockholders to join. The stock which a national bank takes in a federal reserve bank cannot be sold, cannot be borrowed upon, cannot be realized upon in any way unless the holding bank should go into liquidation. As to availability of the money invested in the stock, it might just as well be put into a keg and sunk into Lake Ontario, and not fished up until the bank was ready to go out of business. Although the member banks will probably furnish all of the capital stock of the federal reserve banks, they are not allowed one representative upon the federal reserve board. Our forefathers rebelled against taxation without representation. We tamely submit to it. The stockholding banks are allowed to have representation upon an advisory board, but the advisory board has absolutely no power except to confer, advise and recommend.

Each of the federal reserve banks will have a board of nine directors. Six of these directors are elected by the stockholding banks, upon a most peculiar plan. Three are appointed by the federal reserve board, one of which appointees will be chairman of the board of each federal reserve bank. Here apparently majority controls, but not the chairmanship of the board, rests with the stockholding banks, but mark what the federal reserve act says:

The federal board has power:

"To suspend or remove any officer or director of any federal reserve bank, the cause of such removal to be forthwith communicated in writing by the federal reserve board to the removed officer or director and to said bank."

This plainly means that the federal reserve board may notify any officer or director that his services are dispensed with "for the good of the service." That is all the reason that the federal reserve board need give. There is no appeal. In other words, every director of every federal reserve bank sits in his place with a collar around his neck, to which a chain is attached, the other end of that chain being held by the central federal reserve board. What courageous, independent, able action can be expected from directors so subject to the federal reserve board, and that board in politics?

Let us see what the Honorable John Skelton Williams, comptroller of the currency, said in his recent address before the North Carolina bankers in convention. Here is part of his speech:

"There is strength in voluntary and accepted unity, but there is none in servitude of units enforced by law. There is vigor irresistible in the willing combination of many for a common cause."

Are the national banks of this country, brought under the federal reserve law, in "voluntary and accepted unity," "in willing combination of many for a common cause" or "in servitude of units enforced by law?" Did they join because they wanted to or because they had to? The federal reserve act should have been made so attractive that no state bank could have afforded to stay out. In the great State of New York, with the exception of two or three banks, not a single state bank has joined. The national banks have joined only because they were forced to join or lose their charters. The addresses and statements of the Honorable John Skelton Williams and the Honorable Carter Glass are full of generalities and of vague accusations against bankers. They should be more specific. Nothing would do more good than to get them face to face with a banker or business man and to thrash out in public

some of the generalities which they and their associates continually are making.

The federal reserve board has power to suspend reserve requirements. In the case of note issues, the tax upon infringement of reserve practically is fixed by the statute, but in the case of reserves against the deposits the tax is left to the discretion of the federal reserve board. The reserve required to be kept against deposits is fixed at thirty-five per cent. Bankers recommended that this reserve be fixed at fifty per cent, that the tax be distinctly defined by statute instead of being left to the federal reserve board, and that its percentage should rise rapidly as reserves fall. As the rate of discount rose, borrowing for anything but absolutely necessary purposes would diminish. As borrowing diminished, reserves would reach their lowest point and then gradually would rise. As reserves gradually rose, the discount rate gradually would fall. This would be an absolutely safe, adequate, automatic arrangement which would make impossible any harmful inflation. If the stockholding bankers in the federal reserve banks were willing, at their own expense, to carry fifty per cent reserves instead of thirty-five per cent reserves, preferring safety to dividends on their stock, what good reason is there that they should not have been allowed to do so? I am afraid that the answer lies in the old "greenback" idea of cheap money. That idea has been coming to the front in various forms. Every time it has been repudiated in one form, it has appeared in another. You credit men well know that too cheap and easy credit is bad for business, and, in the long run, more expensive than dear credit. It should be the duty of the federal reserve banks to keep a check on inflation. That could best have been done by making the reserves fifty per cent and placing a very heavy tax on their infringement. The natural law of supply and demand never errs. The discretionary judgment of a board composed of the best bankers in this country might repeatedly err. A political board must consistently err.

In the operation of the federal reserve banks, there is unwise division of authority. The central reserve board is not responsible for earnings. Each local board is responsible for the earnings of each local bank. The stockholding interests of the twelve federal reserve banks are as separate and distinct as those of the more than twenty-seven thousand banks in this country, but the central federal reserve board has specific power to order one federal reserve bank to rediscount for another, has specific power to fix many of the terms upon which the federal reserve banks do business, and has most extraordinarily broad discretionary control over all the federal reserve banks. In other words, a board which is in no wise responsible to a single stockholder for the earnings of the federal reserve banks, the members of which board have not and probably never will have any proprietary interest in one of them, controls them all in ways which vitally affect their earning power. Any business man knows that this is not good organization. Were the central reserve board supervisory, with a strict command over the federal reserve banks to insure their compliance with the law but powerless to interfere so long as the law was complied with, the organization would be better. You are all familiar with the administration of affairs by bodies in a similar position. City officials, boards of aldermen, state legislatures, the Congress of the United States are all liberal spenders of other people's money.

While I would not go quite so far as to say that the federal reserve board, although equally irresponsible, would be equally extravagant, I

am sure that it will be more extravagant than if it were responsible for earnings.

The federal reserve board has power to order a federal reserve bank to rediscount for another providing five out of the seven members of the federal reserve bank so vote. The act requires that only two of the members of the federal reserve board be experienced bankers, consequently the five members who are not bankers may very easily overrule the two experienced bankers. Take two federal reserve banks, one of them well conducted, showing foresight and strengthening itself for an approaching financial storm, the other over-trading, running with weak reserves and obligating itself to still further extensions. The federal reserve board can order the strong institution to rediscount for the weak one, thereby depriving one of all the benefits of its own foresight and encouraging the other in over-trading.

At the meeting of the New York State Bankers' Association on June 11th last, the superintendent of banks declared that the "new freedom" was fast becoming "new tyranny." The point was well taken. We are suffering from a tyranny of ideas. Over us is a schoolmaster who, with a schoolmaster's characteristic attitude, tells us what we should think, what we should feel, what we should desire, what we should do. He is pressing the enactment of legislation to force upon us prosperity and happiness. When the federal reserve law was under discussion at a bankers' conference in Chicago, almost one year ago, on August 22nd, 1913, I telegraphed that conference as follows:

"Credit, the life-blood of business, is largely based on confidence. Even now there are signs that the evident intention of the administration to force through, without proper discussion, a banking and currency bill of some kind is beginning to impair confidence."

At that time my opinion was considered extreme. While many bankers saw the signs, the public at large had not seen them. It is a banker's business to foresee and to warn business men. So far as Congress and the administration were concerned, our warning fell on deaf ears. Were a banker to step into a surgeon's operating room, take up the knife and proceed to perform a delicate operation, saying that he did not need the advice or assistance of any surgeon, or were he to frame a law for the government of Princeton University, saying that he did not want the advice of any college president, he would be laughed at, and justly so. The present administration, headed by an ex-president of a college, supported by a secretary of state whose financial judgment is notoriously unsound and whose financial heresies have repeatedly been repudiated by the voters of this country, and by a secretary of the treasury and a comptroller of the currency neither of whom, for years before their appointment, possessed the confidence of the bankers and business men who are the best informed and the keenest judges of business ability, is doing something fully as ridiculous.

No banker, however wise, can prophesy exactly how the new federal reserve law will work out. Bankers are apprehensive of two things: Of inflation in mercantile credit, and of inflation in note issues. Inflation in mercantile credit will encourage speculation and over-trading; inflation in note issues will have the inevitable effect of driving gold out of this country. In that case it would not surprise the best judges to see us lose from three hundred millions to five hundred millions in gold. I doubt whether those who framed this bill have the slightest conception

of its effects. Do not misunderstand me. I believe that the greatest benefit to be derived from the operation of the new law will result from the new currency issues, providing they are not excessive. If they are excessive, great evils will result. So much is left to the discretion of the central federal reserve board, so much depends upon the judicious use of that discretion, that it is impossible to forecast the result.

I earnestly hope that the central federal reserve board will show better business sense than the organization committee has, but as two members of the present committee are to be ex officio members of the board, and as they are trusted men in the administration, their influence undoubtedly will be very strong. As I have said before, and as cannot be said too often, politics cannot be kept out of the federal reserve board as at present constituted.

Bankers, as a rule, understand business interests and can be trusted to protect them. There has been a great deal of criticism of the new federal reserve law and the manner in which its provisions have been applied. When that law was under discussion, bankers were told flatly that their advice was not needed. It was only after the most strenuous protests that they were allowed to be heard. Even then a number of their fundamental recommendations were disregarded. At the same time a commission was at work on the revision of the banking laws of the state of New York. The personnel of that commission may be roughly divided into three classes: Bankers, business men who were not bankers, and lawyers. Very properly, the bankers had a great deal to say about the provisions of those laws. If the administration authorities in Washington be correct, any law framed in whole or in part by bankers, must inherently be oppressive and opposed to public interests. You have not seen in a single respectable newspaper—I might go further and say that you have not seen in any newspaper—one word of criticism of that law, which is now on our statute books. There was opposition and criticism from private bankers who objected to being brought under the law for the protection of their depositors, from other bankers who objected to more stringent provisions for the protection of their depositors, but none from the depositors. Why, while there is constant criticism of the federal reserve law, is there no criticism of the New York state banking law? Because the New York law was largely framed by bankers who knew what their depositors needed, working in harmony with business men and lawyers, all under the supervision and guidance of the superintendent of banks, whose practical experience was of invaluable service to the commission. Because that commission realized that a bank's prosperity depends on the prosperity of the public. Because it laid down at the outset the main guiding principle that it would put first not the interests of banks but the interests of depositors. Neither of the bankers on the commission claim any credit for philanthropy. Bankers may be as selfish as the administration at Washington says they are, but they are not fools or theorists. Put them on the lowest plane you will, and call their motives nothing more than intelligent selfishness. Whatever their motives, they know their business. They were not amateurs and as between a law drawn by them and their associates on the commission and a law drawn by the legislators in Washington, the choice can be very safely left to the business public. Another rule of conduct which the commission laid down was that where the old provisions of the law had worked well, were perfectly clear or had been made clear by being construed by the courts, they should not be disturbed or changed; that where changes

were to be made they should be made carefully and only after consultation with the superintendent of banks and the first deputy superintendent of banks, both of whom gave the commission every assistance in their power; that no entirely new system based on theory should be embodied in the law. The commission aimed to simplify and improve, not to tear down and recreate. You might select the most able commission of bankers that you could find in this country. They could not possibly frame an entirely new theoretical system and have it work. How much less can that be done by men who are not bankers?

To recapitulate, the greater number of disadvantages due to the political control of our new federal reserve banking system, to the unwise provisions regarding reserves, which, in the hands of a political board with broad discretion, may cause inflation both of mercantile credits and of bank notes, with first the expulsion of several hundred million dollars worth of gold from our country and then a cataclysm of contraction, will be borne by merchants and manufacturers rather than by bankers. The panic of 1907 was spoken of by business men as a "bankers' panic" in which business men were not interested. It is a matter of common knowledge that, as the result of that panic, business men have suffered very much more than bankers. We are told that the federal reserve law will do away with panics. So far as shortage of currency is concerned, that statement is perfectly true. In no other respect is it true. The federal reserve system administered by a political federal reserve board bears in itself the seeds of inflation, of expansion and over-trading, of loss to this country of hundreds of millions of gold followed by contraction and distress.

One of our national weaknesses is our lack of special training. The average man believes that by giving a few hours attention to any particular line of business, his judgment in matters affecting it becomes as good as that of men who have spent their lives in it. In nothing is this more dangerous than in banking. Of all bad legislation—I submit myself to your judgment and correction—the most harmful to business is legislation by amateurs affecting banks and banking credit.

We are told that this is no time to criticise; that all should join in an effort to make the federal reserve system a success. Bankers are most willing to do so but the organization committee has not been willing to co-operate. No banker who knows his business can possibly approve of what the organization committee has done. It is the duty of every banker publicly to criticise the organization committee or the Federal Reserve Board when they are clearly wrong.

All such criticism is useless if it leads to nothing. The Federal Reserve Act is nearly what it ought to be. Two simple amendments would make it ninety per cent perfect. One amendment should provide that the Federal Reserve Board have broad supervisory and corrective powers but no administrative powers. Although even then the federal reserve banks might feel the pressure of its political influence; their actual administration would be taken out of politics. The other amendment should provide for reserves of fifty per cent against both deposits and note issues with legal authority to infringe on the reserves at pleasure, with a sliding scale of taxation on such infringement rising to fifteen per cent per annum by the time the reserves had been cut in two. Give us these amendments and we shall have: First, a businesslike administration by boards of directors knowing the necessities of their own communities, and second, not the slightest danger of undue inflation. Even then quan-

tities of gold may leave this country but only the surplus which we do not need. Its place will be taken by the federal reserve notes. The fact that the Federal Reserve Law is so good, that these two simple amendments would make it well nigh perfect is not due to the administration, but to the strong reiterated protests of bankers and business men of this country, assisted by the work of a comparatively small number of enlightened senators and congressmen without whose assistance the protests of bankers and business men might have gone for nothing.

It would be insincere to charge the present administration with the full measure of the present business depression. No matter what party had been in power, even had no tariff bill been passed, we might have had some depression in business during the present year, but it is the gospel truth that the attitude of the administration has very much increased the depression and is prolonging and will prolong it very much beyond the time at which we might have had a natural revival. With all respect due to the chief magistrate of this country, the man the most to blame for this situation of affairs is President Wilson. It is almost incomprehensible that a scholar, a student of history, a thinker, a man of such unusual ability, should appear to be so absolutely blind to actual conditions and absolutely unable to see the other man's side of any proposition whatever. So far as the policy of the administration has increased and is prolonging this depression, on him the main responsibility rests.

I am not pessimistic as to the final outcome. I feel confident that public opinion eventually will insist that the federal reserve banks be taken out of politics. I feel confident that if this were done tomorrow, and if the administration, while with a strong hand restraining and punishing all law-breakers, would permit the great body of our citizens who are not law-breakers to attend to their business without paternal supervision, we should have an instant psychological change—the beginning of a genuine revival of business to be consummated this fall when we harvest our wonderful crops. (Applause.)

Francis D. Bloodworth, Savannah—This is my first visit to the Credit Men's Association. I came here with the idea that it was a non-partisan body. I move that this convention is not in sympathy with the personal criticism of the President. (Great applause.)

D. G. Endy, Philadelphia—I rise to a point of order. We should proceed with our convention work. This is entirely out of order. (Applause.)

E. F. Sheffey, Lynchburg—After listening to the splendid and most convincing address delivered by the Hon. Carter Glass the other day, I am sorry indeed that any of us should go home with cold water thrown upon the Federal Reserve Act. The last speaker just announced at the beginning of his address that it was a good act. Now, I thoroughly agree with him and I hope all of us believe in the act sufficiently to give it a fair and loyal test. I do not agree with all the remarks that the speaker made in reference to the redistricting of the country, but that is a question which, as Mr. Endy pointed out, is out of order now. A great deal of stress is laid upon the regional bank. Most people lose sight of the fact that a branch bank can serve the same purpose as a parent bank. (Applause.) The part of New Jersey which has been tacked to Philadelphia will undoubtedly have a branch bank, and that will be eminently more profitable and more suitable to them than if they had a parent bank, or at least than if they were obliged to conduct their business through the city of New York. I think it is a better attitude right now not to criticise the measure, and I do

hope that the members of this Association will go home feeling that the administration has given them a good banking law. (Applause.)

President Salisbury—We are not assembled to discuss the thoughts of those who have given their best efforts to us. Rather, we are here to profit by them. (Applause.) It would be unwise for us to criticise; it is for us to listen and to learn. And for that reason I believe that any resolutions offered touching upon the subjects which have been given to us should be ruled out of order. (Applause.) If it is the pleasure of the convention we will resume the regular order of business. (Applause.)

The next number on the program is the report of the Membership Committee, H. H. Humphrey, Boston, chairman. (Applause.)

Report of Membership Committee

To the Officers and Members of the National Association of Credit Men.

GENTLEMEN:

Your Membership Committee promptly upon appointment by President Salisbury organized for a systematic membership campaign. To effect this there were several conferences held in Boston, attended on each occasion by a majority of the committee's executive members.

The committee at once recognized that the steady membership increase which the Association had been enjoying for many years had been reducing the available prospects and that if increase were to continue, it must be by a well organized and continuously conducted membership effort.

Your committee recognized the dual responsibility of holding old members and adding desirable new ones. The first was met by urging local associations to investigate thoroughly the reasons for resignation of desirable members, their efforts if unsuccessful, in securing reconsideration, to be seconded from the National office, which was to follow the resignation up by a series of letters. In the pursuit of this plan many letters were written from the National office, a large amount of literature distributed, with results quite successful in obtaining the withdrawal of resignations.

In carrying forward its second responsibility, that of adding new members the committee adopted the system of assigning responsibility for local association growth to the different members of the committee and the board of directors, so that progress in local membership results could be carefully observed and continual encouragement offered. There has in the pursuance of this plan existed throughout the year a most cordial relationship between the local associations, the members of your committee, and the members of the board. What has been effected can be largely credited to this cordial co-operative work.

The preparation of leaflets at the National office giving information upon important and valuable features of the Association, has been helpful in winning new members and aiding local membership campaigns. A revision of the "Builder of Conscience and Commerce" has been well received and performed good service. The leaflet "Ten of the Reasons" has been widely circulated. The National office should be encouraged to prepare and distribute literature of a substantial character upon "What the Association Has Done and Can Do." The information presented through such literature not only enlightens members who are not aware of their Association's services and appreciative of its abilities, but tends to

convince desirable prospects that the protective work of the Association should be supported generally and unreservedly by credit granting houses and banks.

We desire to thank the members of the board and the National office for their generous assistance in rounding out an unusually successful year.

In the early years of the Association, as a result of enthusiasm and absence of that discrimination now being generally exercised there were added many members in non-credit granting lines, men who felt no inter-



H. H. HUMPHREY
Brown, Durrell Co., Boston Mass.
Chairman, Membership Committee

est in the Association's work other than assisting a worthy cause or favoring an interested friend. This has necessitated on the part of some associations house cleaning processes, so that the membership may more largely represent credit grantors; and the membership efforts of the year have been exclusively directed upon prospects who are in credit granting lines. This is a very healthful tendency. It manifests a strong belief in the nature of the work, and that its purposes may be more largely sustained

and promoted through members who are directly interested in the credit system.

There were during the year so many conditions and obstacles to surmount that your committee in the midst of its efforts feared that it could not be so successful as were the membership efforts of previous years, but the committee's appeal met with a wonderfully hearty response; and there were such earnest and conscientious efforts made in many of the local associations that we have succeeded in adding not only a normal net increase for the year, but the gross gain was the largest of any year in the Association's history.

Your committee presents the following report of each local association and the individual membership:

**COMPARISON IN MEMBERSHIP FIGURES BY LOCAL ASSOCIATION,
DATES JUNE 1, 1913, AND JUNE 1, 1914, BEING USED.**

	June 1, 1913	Added	Resigned	June 1, 1914
Atlanta, Ga.	174	59	33	200
Augusta, Ga. ....	...	35	...	35
Baltimore, Md.	507	63	27	543
Birmingham, Ala.	71	11	7	75
Bluefield-Graham, W. Va. ....	...	17	...	17
Boise, Idaho	26	1	4	23
Boston, Mass.	510	112	32	590
Bridgeport, Conn. ....	...	31	...	31
Bristol, Va.-Tenn.	54	6	10	50
Buffalo, N. Y.	324	105	46	383
Burlington, Vt.	23	4	...	27
Butte, Mont.	33	5	5	33
Cedar Rapids, Iowa	36	12	5	43
Charleston, S. C.	33	...	...	33
Charleston, W. Va.	56	6	1	61
Charlotte, N. C.	25	...	1	24
Chattanooga, Tenn.	63	26	14	75
Chicago, Ill.	1,162	157	121	1,198
Cincinnati, O.	301	52	24	329
Cleveland, O.	711	122	210	623
Columbia, S. C.	32	1	...	33
Columbus, O.	196	20	36	180
Dallas, Texas	73	15	...	88
Davenport, Iowa	37	4	4	37
Decatur-Springfield, Ill.	27	1	6	22
Denver, Colo.	164	4	4	164
Des Moines, Iowa	83	16	5	94
Detroit, Mich.	533	76	120	489
Duluth, Minn.	64	10	8	66
El Paso, Texas	45	...	...	45
Evansville, Ind.	53	17	...	70
Fargo, N. D.	41	7	4	44
Fort Smith, Ark.	28	...	...	28
Fort Worth, Texas	62	...	...	62
Grand Forks, N. D.	32	4	...	36
Grand Rapids, Mich.	277	20	35	262
Green Bay, Wis.	61	19	9	71

	June 1, 1913	Added	Resigned	June 1, 1914
Greenville, S. C.	....	31	....	31
Hartford, Conn.	66	38	....	104
Houston, Texas	22	31	3	50
Huntington, W. Va.	....	28	....	28
Indianapolis, Ind.	130	35	10	155
Jacksonville, Fla.	47	2	....	49
Kansas City, Mo.	210	162	24	348
Knoxville, Tenn.	57	24	2	79
Lehigh Valley Assn.	....	31	....	31
Lexington, Ky.	35	7	2	40
Lincoln, Neb.	44	12	7	49
Little Rock, Ark.	....	25	....	25
Los Angeles, Cal.	194	78	20	252
Louisville, Ky.	123	29	12	140
Lynchburg, Va.	44	6	6	44
Memphis, Tenn.	251	54	41	264
Milwaukee, Wis.	299	36	28	307
Minneapolis, Minn.	251	26	3	274
Montgomery, Ala.	43	8	18	33
Nashville, Tenn.	172	19	33	158
Newark, N. J.	358	44	54	348
New Castle, Pa.	17	4	1	20
New Haven, Conn.	....	54	....	54
New Orleans, La.	278	47	24	301
New York, N. Y.	1,403	186	145	1,444
Norfolk, Va.	159	53	30	182
Oklahoma City, Okla.	59	33	20	72
Omaha, Neb.	116	17	24	109
Oshkosh, Wis.	....	36	....	36
Paducah, Ky.	....	18	....	18
Parkersburg, W. Va.	....	30	....	30
Peoria, Ill.	58	1	8	51
Philadelphia, Pa.	813	168	41	940
Pittsburgh, Pa.	965	185	134	1,016
Portland, Ore.	204	50	28	226
Providence, R. I.	49	15	1	63
Pueblo, Colo.	28	....	3	25
Richmond, Va.	166	14	....	180
Roanoke, Va.	25	3	....	28
Rochester, N. Y.	261	18	20	259
St. Joseph, Mo.	87	13	7	93
St. Louis, Mo.	545	87	87	545
St. Paul, Minn.	261	64	28	297
Salt Lake City, Utah	121	9	6	124
San Antonio, Texas	48	5	....	53
San Diego, Cal.	18	2	....	20
San Francisco, Cal.	193	100	38	255
Savannah, Ga.	41	5	5	41
Scranton, Pa.	30	5	1	34
Seattle, Wash.	275	11	29	257
Selma, Ala.	19	22	16	25
Sioux City, Iowa	61	26	8	79

	June 1, 1913	Added	Resigned	June 1, 1914
Sioux Falls, S. D.	35	...	...	35
Spokane, Wash.	83	...	3	80
Springfield, Mass.	38	2	...	40
Syracuse, N. Y.	99	18	23	94
Tacoma, Wash.	70	6	6	70
Toledo, O.	127	42	12	157
Utica, N. Y.	106	12	7	111
Washington, D. C.	44	1	...	45
Waterloo, Iowa	...	26	...	26
Wheeling, W. Va.	91	2	2	91
Wichita, Kan.	92	9	...	101
Wilmington, N. C.	40	4	...	44
Worcester, Mass.	35	37	1	71
Youngstown, O.	146	10	24	132
Individual	1,582	215	267	1,530
	17,151	3,429	2,083	18,497

Analyzing this report it will be noted that there are at present 103 local associations, and that there were added twelve new associations during the year at:

Augusta, Ga.	Little Rock, Ark.
Bluefield-Graham, W. Va.	New Haven, Conn.
Greenville, S. C.	Bridgeport, Conn.
Huntington, W. Va.	Oshkosh, Wis.
Lehigh Valley, Allentown, Pa.	Paducah, Ky.
Parkersburg, W. Va.	Waterloo, Ia.

With these associations we find 103 local bodies allied with the Association. We feel that it is proper to present an "Honor List" of the associations which obtained an excellent increase in membership for the year.

	125 per cent increase
Houston	125 per cent increase
Worcester	100 "
Kansas City	70 "
Hartford	55 "
Knoxville	40 "
Los Angeles, Providence, San Francisco, Selma, Sioux City	30 "
Toledo	25 "
Cedar Rapids, Chattanooga, Dallas, Evansville, In- dianapolis, Oklahoma City	20 "
Buffalo, Burlington	18 "
Boston	16 "
Atlanta, Des Moines, Green Bay, Lexington, Louis- ville, Norfolk, Philadelphia	15 "
New Castle, St. Paul, Portland, Roanoke, San An- tonio, Scranton, Wichita, Wilmington	10 "

The net gain for the year was 1,346. Of this net gain 95 per cent is drawn from banks and mercantile house; only 5 per cent is from miscel-

laneous or non-credit granting lines. We feel safe in saying that no year has presented a cleaner membership gain than this; it reflects not alone the desires of your committee but the evident tendency among deeply interested members of the Association.

Of the resignations, 45 per cent are unavoidable, that is to say, as a result of consolidations, removals, retirements, failures, and enterprises not identified with the Association's purposes. Fifty-five per cent of the resignations may be said to have been of concerns desirable as members, and these, of course, are removed from the membership list into the list of prospects.

This is the first year that the office records have permitted analyzation of additions and resignations, and we urge the development of the system started for the maintaining of membership records with a view to enabling the Membership Committee of each year to observe the addition and resignation of desirable members and compare their work with previous years.

The loss in individual membership is due to the number of local associations organized many of the members for which were drafted from the class of individual membership. The three field representatives have had an unusually difficult year owing to the retrenchment disposition and the narrowing of their fields of operation.

It is evident that with a total membership of approximately 18,500, specialized work will have to be considered for the membership department of the National Association, and there should be no hesitation in undertaking along generous lines any system that may be devised or recommended by the board in observing the tendencies and the vital needs of that work.

We beg to tender the following resolutions:

I

"Resolved: That the officers and directors of the National Association be requested to consider at their annual meeting the need of specialized work in the membership department of the Association, so that the integrity of the membership may be maintained and a normal increase of desirable members annually secured.

II

"Resolved: That the National office for the direct purpose of assisting in membership growth national and local, be urged to continue to prepare and distribute literature in leaflet and pamphlet form upon 'What the National Association of Credit Men Has Done and Can Do.'

III

"Resolved: That the forms devised by the National office for reporting additions, resignations and changes be continued; and that the membership records of the National office and the offices of all the local associations be developed along permanent systematic lines and maintained and compared at reasonable intervals.

IV.

"Resolved: That the discrimination evident in soliciting new members for the local associations be encouraged so that the membership may be confined to those who are directly and genuinely interested in the credit system of doing business."

Respectfully submitted,

Wm. D. HARVEY,
C. D. ALTON,
C. A. MIDWOOD,
ARTHUR J. SKINNER,
CLARENCE D. MIXTER,
C. R. MILLER,
C. V. LOGAN,
GEORGE W. WALLACE,
J. M. BIRELY,
H. H. HUMPHREY, *Chairman.*

Scale Showing the Growth of the Association

(Figures are given at the time of annual conventions.)

1896	[Redacted]	600
1897	[Redacted]	1,591
1898	[Redacted]	2,332
1899	[Redacted]	2,536
1900	[Redacted]	3,006
1901	[Redacted]	3,572
1902	[Redacted]	4,004
1903	[Redacted]	4,554
1904	[Redacted]	5,327
1905	[Redacted]	6,061
1906	[Redacted]	7,509
1907	[Redacted]	8,647
1908	[Redacted]	9,791
1909	[Redacted]	11,185
1910	[Redacted]	12,796
1911	[Redacted]	14,424
1912	[Redacted]	15,845
1913	[Redacted]	17,145
1914	[Redacted]	18,497

President Salisbury—The open parliament on the report and resolutions will be led by Freas Brown Snyder, of Philadelphia, and H. G. Stoltz of Green Bay; and first Mr. Snyder. (Applause.)

Mr. Snyder—The subject assigned by the secretary to the speaker is, "The Need of Discretion in Membership Extension."

America is the land of big things. In the development of this vast territory, with its boundless resources and in spanning our magnificent distances we have had to think and speak and act in superlative terms until size is the chief of our idols. We boast always of the largest, rarely of the best. The time has now come for a little intensive cultivation on some other lines than agriculture. The slogan, "To be not the largest but the best," has become something of a bromidic, particularly in the light of its accompanying paraphrase of Senator Reed's famous remark, "Don't worry, you'll never be either." Nevertheless there is food for much thought in it, and as members of the most influential business organization in America it behooves us to stop and consider if we desire to maintain our position in our country's commerce.

One of the best ways to create a proper realization of the need for discretion in membership extension is to analyze our responsibilities as individual parts of the National Association of Credit Men and its affiliated bodies. Membership is not entirely an asset; in fact, it is considerable of a liability. A member on joining immediately assumes a new relationship to over eighteen thousand credit grantors throughout the United States. He has said in effect that any one of these coming to him and asking under the insignia of the Association for the best that he has in his files will get it even if the giver thereby loses an opportunity to shift an unwelcome load to other shoulders. He says further that when he joins other members in an adjustment he will stand by his bargain regardless of any direct offers made to him, and if the judgment of the other creditors is to waive dividends in order to make an example of a rascal he will concur in that decision and take his loss without a murmur. There are other implied agreements in our membership which will occur to you as readily as to me, and I will not weary you by citing more than these two examples. Viewing our responsibilities from this angle we are immediately aware that our files are sacred; they represent years of painstaking effort and from their contents may be drawn opinions which will make or mar the future of a business. All we know about the inquirer is that he is a member of the _____ Association of Credit Men, and at once we question how careful is his association in choosing its members, whether it investigates and carefully selects its prospects with the idea in mind that some day its members' files may be laid open to them, or is the member taken in to get his membership dues and in order to get one more member to swell the record and enable the Association to pass its nearest rival in the National Association and have a few more votes at the convention. Are we as associations so choosing our members that we are willing to let new ones into our files, and are we in Philadelphia so scrutinizing applicants that we are content to let a brother credit man in Cleveland whose friendship and good opinion we highly value trust their judgment in an important adjustment? It cannot well be argued that such a course is putting a limitation on the growth and influence of the National Association, because there is plenty of good material left from which to draw for our growth, and it is only through such good houses that we can increase our influence. Pursued to its ultimate, such policy will mean that the best business houses cannot afford to withhold their active allegiance. In this country the word aristocracy is not exactly palatable, but as long as there are men whose pride is in doing their work a little better there will be an aristocracy of labor, as long as there are men who believe in cultivating their God-given talents there will be an aristocracy of brains and if we are alive to our opportunities we can make the National

Association of Credit Men an aristocracy of intellect, integrity and influence. (Great applause.)

President Salisbury—We will now listen to H. G. Stoltz, of Green Bay. (Applause.)

Mr. Stoltz—After hearing the report of our Membership Committee, I hardly feel able to enlarge upon it to any extent and shall confine my brief remarks to our own experience at Green Bay.

I feel that our committee has during the past year by showing such a large increase in membership, done a great work, and I want to congratulate the committee most heartily. Not only has a great amount of labor and personal sacrifice on their part been involved, but, considering the fact that the available prospects are fast diminishing, much of their efforts must be spent in retaining those who, perhaps through lack of interest—and there are plenty of such in every organization—would through neglect drop out.

Not only is the committee to be congratulated, but I feel that the different local committees should receive the highest praise for all they have accomplished.

Our Association has advanced to such an extent during the past few years, has shown such marvelous strength and become so well known, that the percentage of larger manufacturers and jobbers who do not hold membership with us is very small, and the majority of those still outside the membership by systematic work could be induced to join us.

Some local associations have shown such excellent results with the pamphlets issued by the National office, that I believe every association should use them on all good prospects—not indiscriminately, but with discretion and systematically.

There remains, however, the smaller concerns to which we must, from now on, devote time and attention, if our Association hopes to maintain such an increase in membership from year to year as has been enjoyed in the past. This is a class of prospects, which in my opinion must be considered. Every possible honorable means must be adopted to bring them into line. We must show them what we have done in the past and what we can do in the future to better credit conditions generally, and what can more easily be accomplished with their assistance. The larger our Association becomes, the greater the power to promote our cause.

This work, in my judgment, lies principally with the various local committees whose members are naturally familiar with conditions in their respective territories. They should be able to do more effective work on such prospects than the committee of the National Association or even our energetic and hard-working field representatives.

The experience of our Green Bay committee is that it requires more than the National office can offer to induce many of our smaller firms to join. We must give them local benefits such as interchange of information, and must allow them the privilege of the adjustment bureau. We have shown them results and these have held them together. The concerns we have lost went for reasons beyond our control.

Another method of increasing interest which is, perhaps, not generally practised, is the extension of the efforts of our local association beyond their own cities. Should there be a prospect within reasonable distance from the local body, I feel that it should be followed up by that local association. If it is not convenient to make a personal call, use the association literature. Our local body has a larger membership outside of Green Bay than it has in the city itself.

I would like to make one suggestion to the incoming committee, if it be proper that in co-operation with the field representatives, it devote a good portion of its time to the organization of local associations wherever possible. The field is still very large. There are many cities still in the dark regarding our work large enough to support associations of their own. These local bodies in turn could be encouraged to appoint good live membership committees. I am certain that in this manner a very healthy increase will be shown for the coming year.

Let us here assist as much as possible in the strengthening of our Association. I heard it said a short time ago, that if every delegate present would secure only one new member each year, this alone would be a wonderful help in the growth of our Association. If every delegate present at this convention would have the courage to appoint himself chairman of his own private committee, and pledge himself to secure at least three new members, assuming that there are one thousand present, what a wonderful showing this would make, and what a splendid boost it would be for our incoming committee. (Applause.)

Secretary Tregoe—Shall I read the resolutions one by one or read them all together?

Cries of: "All together!"

President Salisbury—It is the expression of the convention that the rules be suspended, and that we consider all of the resolutions at one time.

Resolutions read by Secretary Tregoe.

J. M. Hofstetter, Philadelphia—I move that the report and resolutions be adopted as a whole. Seconded by G. A. Lotz, New Orleans.

Motion put and carried unanimously.

J. S. Stewart, Kansas City—While listening to Mr. Snyder's talk, in which he suggested that we are growing more in quantity than in quality, I prepared a little resolution which I would like to offer, if it is not out of order—an additional resolution.

President Salisbury—if it is upon the subject of the report, it certainly is proper and welcome.

Resolution read by Mr. Stewart as follows:

"Resolved, By the National Association of Credit Men in convention assembled, that the National Association recommends that the membership committees of the various local associations scrutinize carefully all applications for membership, so that those concerns not directly interested in the handling of credits may be refused membership in the Association."

A. C. Carpenter, New Orleans—I desire to state that I heartily second that resolution, and shall be glad to see it passed by this convention.

President Salisbury—The resolution is before you. Is there any discussion? Are you ready for the question?

Calls for the question.

Resolution carried unanimously.

H. R. Bridgman, Buffalo—As a matter of information, I believe that the treasurer's report, read Tuesday morning, showed that the cost of the field secretarial service was \$9,000. As I recollect it, I notice that the individual increase is only two hundred and fifteen members. Am I right?

Secretary Tregoe—For your information, I would like to state to Mr. Bridgman that during the year twelve local associations were organ-

ized, and the basis for every local association is individual members. So in getting together the twelve, there were subtracted from the individual membership list approximately two hundred or two hundred and fifty individual members, in order to give the basis for the twelve local associations.

President Salisbury—The next number on our program is an address on "Foreign Credits," by Louis S. Goldstein, of New Orleans. (Applause.)

Before delivering his address Mr. Goldstein said:

Mr. President, Ladies and Gentlemen:

If I may be permitted the intrusion of the personal for just one moment, I want to state that the subject assigned to me, foreign credits, admits of very extended technical treatment. I assure you immediately, in stating that I shall not burden you with that sort of treatment. On the contrary, I have made an effort not to be a transgressor in the matter of the time limit imposed upon me; but in trying to confine my paper within the time limit allotted, it has been absolutely necessary that I merely touch upon the broader outlines, the more essential details in connection with the subject, rather than to give to it the more detailed thought which it seems to deserve. I make that explanation so that the brevity of the paper shall be understood.

Foreign Credits

ADDRESS BY LOUIS S. GOLDSTEIN, NEW ORLEANS, LA.

Mr. President and Gentlemen of the Convention:

Were these United States to engage in a war of invasion, and were we to learn that after millions had been expended in training and equipment, the attacks of our forces had been aimlessly directed, their strength dissipated in engaging unimportant positions, and heavy losses encountered in falling into ambush, we would be inexpressibly shocked. Yet this is precisely the situation as regards our trade invasion of foreign fields, and we accept it with perfect equanimity.

Recently there was held in Washington a convention of the "National Foreign Trade Association," participated in by the leading mercantile, manufacturing, and transportation interests of the country. Some twenty-four papers were ably presented and intelligently discussed, detailing how this country should maintain and extend its foreign trade. Through them, these soldiers of commerce were instructed in the technique of "The Balance of Trade" and "Foreign Tariffs;" were told how to select and discharge their mercantile ammunition; were given self-confidence by the narration of their potential fitness; were made reliant upon the financial reinforcements to be called from the Federal Reserve System, and in every manner were thoroughly drilled and properly enthused for their task of invasion. But on the subject of aggressive and protective strategy the preceptors were eloquently mute. The basic consideration of credits, the means whereby important positions might be concentrated upon and dangerous ones avoided, was completely ignored.

The attitude of the convention of the "National Foreign Trade Association" seems to be typical of that of the organizations and individuals of the United States, intent upon securing foreign trade.

Confronted with the fast approaching opening of the Panama Canal, and recognizing the consequent advantages to this country in the re-arrangement of the world's trade routes, the nation's effort seems to have concentrated upon exploitation to the exclusion of investigation.

The unwisdom of this "cart-before-the-horse" procedure is accentuated by the recognition of the unique and intricate nature of the problem of foreign credits in the United States. It involves individualism as contrasted with the centralization idea of the European nations. Furthermore, due to the legal prohibitions as to the establishment of branches of national banks in foreign countries, which antedated the enactment of the Federal Reserve Law, there has been denied to the United States a factor which has been of inestimable value to Germany, England, and France in the treatment of foreign credits.

To understand better the disabilities under which this country labors, it may be helpful to review very briefly the German system of foreign credits, which, with certain modifications, obtains as well in the other European nations of consequence. With the exception of the very largest manufacturers, the foreign trade is controlled by a comparatively few export commission houses possessing immense resources. As their needs require it, they secure practically unlimited assistance from the German banks. Both the commission houses and the banks have a network of "over-sea" branches, presided over by picked men of ability, trained in the language and customs of the countries to which they are accredited, who eagerly welcome temporary expatriation as a splendid opportunity for a career. In addition to the facilities for financing provided by branch houses and banks, the capable officials managing same, augmented by the large corps of traveling representatives of the commission houses, constitute a most complete information bureau, supplying their principals with exhaustive details as to political, economic, and commercial conditions. Fortified with reliable credit data, assured of being advised instantly of any material changes by their watchful representatives abroad, having at their command unlimited financial power, the credit problem for the German is comparatively simple, involving the extent to which they will finance their clients' business at remunerative rates of interest, rather than the necessity of alert investigations, through various sources, to distinguish the worthy from the unworthy.

The situation in this country is different in almost all essentials. While there exist some very substantial export commission houses, few are equipped with "over-sea" branches in the European sense, nor are they favored, as the Europeans are, with the co-operation of the banks. Necessarily, their credit information is not as readily, nor as accurately, obtained. Moreover, the commission house has a relatively unimportant place in the American scheme. The tendency of our manufacturers and merchants is toward direct relations with foreign countries. They seem to object to paying what they consider a disproportionate toll to the export commission merchant, and are reluctant to lose their identity in the disposal of their wares. As a consequence our foreign commerce is developed by a heterogeneous mass of traders with no set policy—some of whom seek to emulate their European competitors in the granting of long terms, but being

without similar credit safeguards, often pay dearly for their experience—while others, leaning to the side of prudence, insist on cash terms, and yet wonder why they do not secure large orders.

To meet the demand of the sundry classes of inquirers, there are available varied sources of information. Service is rendered by the Dun and Bradstreet agencies, operating similarly to their domestic departments; by the Philadelphia Commercial Museum, the National Association of Manufacturers and the American Manufacturers Export Association, restricted in the main to members; and by the credit departments of export publications, maintained for the benefit of advertisers. These services are supplemented by inquiries through the consular officers and through banks.

Through these sources valuable information of a general character may be obtained, but American exporters have great difficulty in securing the specific data required by a careful credit man. It is a deplorable fact that many merchants differentiate between credit interchange and domestic and foreign accounts, and while freely opening their books on the former, decline to give their experience with the latter. This reactionary attitude militates greatly against the development of our foreign trade. Much valuable business has been lost through the inability to secure sufficient "ledger experience" to warrant the passing of orders, which, in reality, were perfectly good. In many cases, especially those of the sensitive Latin Americans, the effect of the refusal of such orders has been to cause an intense prejudice against North Americans, and a complete severance of business relations with this country.

This feature, while discouraging, is not hopeless of remedy. The responsibility for it rests in large measure with the New York commission houses, which formerly controlled a great measure of the foreign trade, and saw no good reason to give information when the opportunity for return accommodation was limited. Their position, it must be admitted, was well taken. This co-operative body of credit men drawn from every state would not have been possible, or necessary, in the days of limited transportation, when trade zones were very restricted. Likewise, until comparatively recently, foreign trade was confined to a few ports, the great bulk of it, of course, controlled by New York, and the merchants thereof very naturally would not subscribe to a system of co-operation that was not reciprocal. The situation, however, has radically altered within the last few years, and almost all large cities of this country now participate in this trade. Nevertheless, the New York merchant persists in his aloofness, and the merchants of other cities retaliate. Experience justifies the assumption that this unfortunate situation will yield to the light of education.

Even this cursory review of the inadequacy of our present foreign credit methods should make manifest the striking contrast between the perfect credit machine, created for the compact European exporters, and the disjointed parts upon which the scattered merchants and manufacturers of the United States must rely.

If we are to get our proper share of foreign trade, there is great and immediate need of an intelligent directing force to bring order out of our credit chaos, to weld links into a chain, to convert a selfish into a co-operative individualism. That force, gentlemen, logically

resides within this constructive and highly specialized body—the National Association of Credit Men.

There should be created without delay, within this Association, a fully equipped, and thoroughly adequate, "Foreign Credit Bureau." While this suggestion may not meet with the unanimous approval of this convention, it will hardly be regarded so much as heresy as it would have been some few years since. The credit interchange and adjustment bureau principle, as applied to local associations, formerly opposed bitterly, is now almost generally accepted. Credit bureaus within local associations, however, would not suffice for foreign exploitation, which is embraced within the trade zones of all sections of the country. For this reason, any Foreign Credit Bureau to be effective must of necessity be conducted by the National Association as such.

Such a bureau, avoiding duplication of effort, but utilizing in proper relation the sources of information now operative, compiling credit interchange through educational pressure, having available the names not only of delinquents in payments, but of those guilty of unfair practices, keeping posted at all times as to the political and economic status of foreign countries, and in all other ways meeting the exigencies of foreign credits, would constitute a "Board of Strategy" capable of converting disordered sorties which frequently prove futile and costly, into efficient campaigns of highly successful accomplishment.

The National Association of Credit Men has the opportunity to render a great national service in this direction: Its record of performance warrants the belief that it will not neglect it. (Great applause.)

President Salisbury—The next in order of business are the reports of special committees, the first one being that on "Commercial Ethics," J. H. Scales, Louisville, Ky., chairman.

Report of Committee on Commercial Ethics

To the Officers and Members of the National Association of Credit Men.

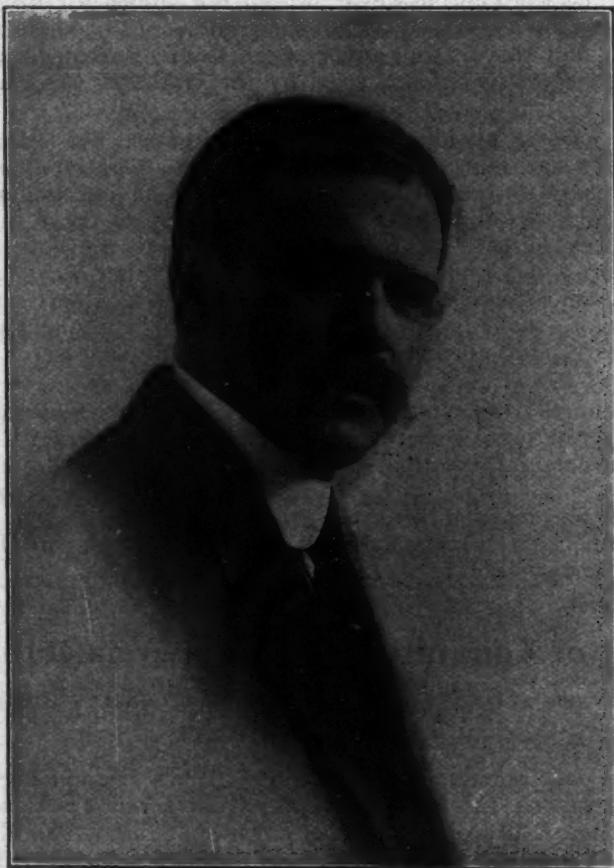
GENTLEMEN:—

Your Special Committee on Commercial Ethics has announced this year but two canons, the fifth and sixth of our series of "Canons on Commercial Ethics" all looking to the observance of fairness and honesty in relationships involved in the buying and selling of merchandise. A practice that has grown to a burdensome evil in certain lines of merchandising, is the cancellation of orders after they had been given and accepted in good faith, there having been no condition concurrent with the placing of the orders and their acceptance giving to the buyer the right of cancelling without the consent of the seller. It frequently occurs that cancellations are received after merchandise is in process or has been completed under specification, and the manufacturer as a consequence has to bear a heavy loss.

Your committee believes that there should be encouraged and developed a fair and honest recognition of the contractual and mutual obligations involved in purchase and sale, and an appreciation of the fact that fair and honest business can not be developed until this contractual obli-

gation is respected. To put the above in code form your committee prepared and announced the "Fifth Canon of Commercial Ethics," as follows:

"The pledged word upon which another relies is sacred among business gentlemen. The order for a bill of goods upon which the seller relies is the pledged word of a business man. No gentleman in business, without a reason that should be satisfactory to the seller, may cancel an order. He would not ask to be relieved of his obligation upon a note or check, and his contracts of purchase and sale



J. H. SCALES
Belknap Hardware & Mfg. Co., Louisville, Ky.
Director and Chairman, Committee on Commercial Ethics

should be equally binding. The technical defense that he has not bound himself in writing may avail him in the courts of law but not of business ethics."

A common evil, that of taking an unearned discount or the failure to observe sales terms, has aroused the conscience and sense of honesty in credit men, for it is an evil which has imposed an unnecessary burden and embarrassment upon credit departments. Our Association is appealed

to from many directions to diminish the unearned discount evil and to bring buyers to recognize that it is not honest to buy goods upon mutually agreed sales terms and then pay accounts upon any terms that they may see fit to impose. Such practice causes a deep hurt upon our commercial morality and must be corrected.

To offer a pronouncement upon this evil which would express the unanimous sentiment of the Association and all commercial people, the "Sixth Canon of Commercial Ethics" was prepared and announced by your committee. It is as follows:

"Terms of sale as a part of a contract touching both net and discount maturity, are for buyer and seller alike binding and mutual, unless modified by previous or concurrent mutual agreement.

No business gentleman may, in the performance of his contracts, seek small or petty advantage, or throw the burden of a mistake in judgment upon another, but must keep his word as good as his bond, and when entering into a contract of sales faithfully observe the terms, and thus redeem the assumed promise."

It is the belief of your committee that the building up of "Canons of Commercial Ethics" should be gradual and announce ideals that will foster honesty and solid progress in our commercial commonwealth.

The following is therefore offered for your consideration:

"Resolved, That the Special Committee on Commercial Ethics be continued and its efforts devoted to the correction of unfair practices in business or situations that may tend to destroy equality of protection in commercial relationships."

Respectfully submitted,

GEO. W. OATLEY,
R. S. WHITE,
LEE M. HUTCHINS,
F. J. HOPKINS,
H. W. COFFIN,
F. J. SMITH,
E. F. SHEFFEY,
HERBERT E. CHOATE,
J. H. SCALES, *Chairman*.

E. F. Sheffey, Lynchburg—I move the adoption of the resolution as offered by the committee. Motion seconded, put and unanimously carried.

President Salisbury—The next report is that on "Exemption Laws," by L. E. Hall, Wilmington, N. C., chairman. The report is to be read by Secretary Tregoe.

Secretary Tregoe—I would suggest that we dispense with the reading of this report, but for the fact that it is one of the most important brought before this convention, as it begins, perhaps, the era of a special work.

Report of Committee on Exemption Laws

To the Officers and Members of the National Association of Credit Men.

GENTLEMEN:—

Your Committee on the Amendment of Exemption Laws has made but one direct and systematic effort for the amendment of a state's exemption laws, that in North Carolina.

Exemptions in North Carolina, as in several others states, are fixed by constitutional provision, not by statute. The legislature of North Carolina in extraordinary session was petitioned by several North Carolina trade associations and by your chairman as representative of the National Association of Credit Men, to allow a referendum to the people for certain amendments of the state exemption laws which, in the opinion of your committee, were reasonable and necessary. The legislators believed the inclusion of such amendments to the state constitution would imperil other amendments which were to be submitted to a vote of the people in special election, and notwithstanding insistent and intelligent demands, the petition was rejected.

Your committee, other than this practical and definite effort, has done nothing more than observe the exemption laws of the states, especially those that are unreasonable, unfair and encourage dishonesty.

The exemption right is considered by the citizens of some states as something almost inalienable, neither to be disturbed nor contracted. No effort undertaken by the National Association of Credit Men presents the need of such persistent and educational effort as does that of bringing the exemptions in certain states within reason and justice.

It should be made known by discreet yet emphatic pronouncement that the honor of a state is interwoven with its recognition of commercial honesty and it should refuse to do more than guarantee equality of interest and protection in the relationship of debtor and creditor is essential.

We believe that those states which allow unfair exemptions and thus encourage dishonest commercial transactions, secure less consideration in credit and confidence for their people than do those states which place their citizens upon the basis of self-help and do not throw around them defenses which are unwarranted under the established commercial standards of to-day.

The reasons for exemptions have passed away in many cases. What was intended as a protection to the weak has been converted into a provision for legalized theft by the dishonest, and we cannot speak too emphatically upon the need of reforming many of the prevailing exemption laws.

Your committee can tender no recommendations for the accomplishment of this desired object but a campaign of education that will eventually win the approval of legislators, tradesmen and mechanics to a recognition of the fact that after all, undue privileges impose a direct tax upon the consumer, tending but to increase the cost of living.

Your committee cannot recommend just how this campaign of education may be organized and carried on, but it expresses the sincere hope that the National Association of Credit Men will soon recognize its ability to carry forward such a campaign of education along effective lines and win for its future committees upon the amendment of exemption laws a larger degree of co-operation and support than has ever been extended them in the history of our associational work. There should be a sense of indignation that we have in our national structure such a situation to

content with, one that is purely of state control. As a nation representing great progress in its domestic commerce, there should be no blot or reproach upon our attitude toward the conservation of fairness and equity in commercial transactions.

We tender the following resolutions:

I

"Resolved, That the National Association of Credit Men in convention assembled utterly condemns unfair, unnecessary and unjust exemption laws.

II

"Resolved, That the National Association of Credit Men in convention assembled, reaffirms its belief that unfair and unjust exemption laws promote dishonesty and that such liberal laws as were deemed necessary in the formation period of the country are no longer required as a protection for the weak but are only taken advantage of by the dishonest.

III

"Resolved, That the incoming committee on Exemption Laws develop an educational campaign that will tend to the reformation of the unjust and unfair exemption laws, bringing into its efforts the co-operation of the local associations in those states where such laws prevail."

Respectfully submitted,

P. B. BETHEL,
LEAKE CARRAWAY,
GEO. H. CLESS,
F. G. DOYLE,
M. S. ENOCHS,
E. N. JOYNER,
M. S. POLLAK,
A. H. RAWLINGS,
L. B. ROGERS,
L. E. HALL, *Chairman.*

President Salisbury—The report of the committee and the resolutions offered are before you. What is your pleasure?

Mr. Teaf of Philadelphia moved the adoption of the report and resolutions as read; the motion was seconded, put and unanimously carried.

E. F. Sheffey, Lynchburg—The resolution which I have here prepared does not come under the head of exemptions, yet I was deprived of the privilege of being present when the Legislative Committee made its report and I shall consider it a special courtesy to be permitted to present it now.

President Salisbury—There is no objection.

Mr. Sheffey—The resolution is this.

"Resolved, That the Legislative Committee be and is hereby requested to investigate thoroughly the laws of the various states on the subject of interest charged on past due accounts, notes, etc., and where the laws of any state or section do not permit the collection of interest on past due accounts, such steps shall be taken as are necessary to apply corrective legislation, and make it possible to collect by law interest on these papers."

Several of our states do not permit us to collect any interest at all. President Salisbury—Under suspension of the rules we can consider this resolution, if it is your pleasure.

Mr. Sheffey—I move the suspension of the rules, to pass this resolution. Seconded, put and carried.

J. M. Smith, New York—A point of information. Is this proposed work to be done by a committee to be continued, or a special new committee?

Secretary Tregoe—A special committee to be continued.

Mr. Smith—if to a committee to be continued, I move that this resolution be referred to the incoming committee.

President Salisbury—This is a legislative measure, and we are considering it under a suspension of the rules. All in favor of the resolution as offered will signify by saying aye; contrary, no.

Motion carried.

President Salisbury—The next business is the report of the Committee on Flood Prevention.

Secretary Tregoe—Mr. Cleveland sent me his report, and it is not necessary to read anything more than the resolutions, as the report will appear in the convention proceedings, and touches upon something that we undertook last year, which Mr. Cleveland and his committee developed.

Report of Committee on Flood Prevention

To the Officers and Members of the National Association of Credit Men.
GENTLEMEN:

In response to a resolution adopted at the Cincinnati meeting instructing the president of our Association to appoint a special committee on "Flood Prevention" President Salisbury appointed the following:

W. B. Cleveland, Chairman, Memphis, Tenn.; J. M. Williams, Pittsburgh, Pa.; Sam Blum, New Orleans, La.; W. C. McConaughey, Parkersburg, W. Va., D. F. Dieterle, Cincinnati, O.; M. H. Moise, Louisville, Kentucky; A. O. Wilson, St. Louis, Mo.; Joseph H. Baer, Wheeling, W. Va.

Owing to the widely separated localities from which members of this committee were appointed, it has not been possible for us to hold a meeting thereof, but considerable correspondence has been had between the members, and after due deliberation it was agreed that the following resolutions should be sent to each affiliated branch of the National Association of Credit Men with the request that it pass them if in sympathy with the work. The resolutions follow:

"WHEREAS, The enormous losses caused by destructive floods in recent years throughout the United States and especially in the great Mississippi delta, have become a menace to national credits, commerce and business, and

"WHEREAS, The prevention of these floods is of direct concern to the business and financial interests of the whole nation, therefore be it

"Resolved, By the — Association of Credit Men in meeting assembled:

(1) That we believe the problem of flood control is one of national scope and should be dealt with by the national government, and we respectfully call to the attention of our Senators and Representatives in

Congress the pressing need for immediate legislation providing for the treatment of this problem, either through the creation of a national flood commission or through the present efficient corps of army engineers;

(2) That we believe the flood problem in the states comprising the Ohio Valley is too great and too complex to be dealt with by those states alone and should receive the further aid and co-operation of the national government in perfecting some plan for relief as suggested by the special board of engineers appointed to investigate the subject;

(3) Further, that the main body of the Mississippi River between Cairo and the Gulf of Mexico being the outlet for the drainage waters of almost half the nation the states adjacent to this part of the river being almost annually damaged by the flood waters of thirty-one states, and plans having already been made by the Mississippi River Commission and the corps of engineers of the United States army for the definite and immediate protection from floods of that great alluvial delta by the construction of a system of levees, we respectfully urge upon our Senators and Representatives in Congress that they support such legislation as will provide the funds necessary to complete that part of the work as rapidly as possible in accordance with such plans.

(4) That the president of this Association be requested to transmit a copy of this resolution to each Senator and Member of Congress from this state.

This resolution was acted upon favorably by a large number of our local associations and copies were sent to members of Congress from their respective states and to the President of the United States.

As a result the committee has received through local associations many letters from members of Congress and with few exceptions they have expressed their interest in the subject of flood control and promised to give the question their earnest and thoughtful consideration.

While the work of the committee has been largely educational we think it has been productive of much good and we hope that it may result in the adoption of some definite policy regarding flood control by the national government.

At this time we find that there are several bills pending before Congress dealing with the subject of flood control. The Newlands-Barthol bill, which advocates a general scheme of conservation and calls for an expenditure of \$600,000,000 at the rate of \$60,000,000 a year to control all streams and all floods throughout the country; the Clark-Williams bill, which proposes the expenditure of \$30,000,000 in a drainage and reclamation of wet lands for the prevention of floods. This measure is being advocated by the National Drainage Association. Another measure is known as the Dyer bill, calling for an expenditure of \$250,000 for experimenting with a spillway to relieve floods on the Mississippi River; and a bill known as the Ransdell-Humphreys bill, which provides for \$60,000,000 for the definite and specific control of floods on the Mississippi River.

Your committee felt that it could not espouse any particular legislation, but believed that it was its duty to impress upon members of Congress the necessity of some definite action and to urge that they give all these measures their careful study and thought.

The river regulation portion of the Newlands bill has been referred to a committee of fifteen, selected from various departments at Washington, and a report has been presented by them on this problem, but its scope

is so broad and the benefits to be derived are so vague and uncertain that no action has been taken in regard to the matter.

The Clark-Williams bill, which was advocated by the National Drainage Association, has been referred to the Committee on Rivers and Harbors and no action has been taken.

The Ransdell-Humphreys bill was referred to the Committee on Rivers and Harbors, but no action was taken on it, although an appropriation of \$8,000,000 was made by the Rivers and Harbors Committee for handling this particular part of the flood problem with the expectation that a similar amount will be given each year for the next ten years.



W. B. CLEVELAND
Austin Clothing Co., Memphis, Tenn.
Chairman, Flood Prevention Committee

The Dyer bill was referred to the Rivers and Harbors Committee and no action has been taken.

Your committee believes that the National Association of Credit Men should continue its interest in this great problem and endeavor to bring about some recognition on the part of the nation of the great evil that exists so that it may be corrected.

Our attention has been called to the disastrous floods on the Brazos

and Trinity rivers in Texas and on the Los Angeles river in California since the last meeting was held, and we believe that by continuing this committee and its activities our Association will in due time be enabled to call these matters to the attention of Congress in such strong terms that some definite action will be taken to bring about the desired results.

Respectfully submitted,
W. B. CLEVELAND, *Chairman.*

RESOLUTIONS.

(1) "Resolved, By the National Association of Credit Men in convention assembled that we re-affirm our declaration in favor of the national policy of flood prevention and urge upon Congress the imperative need for definite and immediate legislation such as will provide speedy relief in preventing floods wherever of such national scope as to warrant action by the federal government.

(2) "Resolved, That the work of the special committee on "Flood Prevention" be approved, and that a like committee be appointed to serve during the ensuing year."

President Salisbury—The report of the committee and the resolutions are before you. What is your pleasure?

F. W. Risque, St. Louis—I move the adoption of the report and resolutions. Motion seconded, put and unanimously carried.

President Salisbury—The next order of business is the report of the Special Committee on Business Meetings. Mr. Biggs, of New York, desires to be heard at this point and I will be glad to recognize him.

Charles Biggs, New York—There has been placed upon me the duty of presenting the report of the Committee on Business Meetings on behalf of its chairman, our dear friend A. W. Pickford, of Philadelphia.

Report of Committee on Business Meetings

To the Officers and Members of the National Association of Credit Men.

GENTLEMEN:—

Your Special Committee on Business Meetings entered upon its field of work without precedent and has endeavored to demonstrate what it might be possible to attain for the advancement of credit education and co-operative credit management by suggesting for luncheon and evening associational meetings uniform topics related to important and interesting features of the credit system.

The committee prepared and suggested to each of the local associations monthly topics; and while it did not ask that local associations report upon the success that attended the consideration of suggested topics or the value of the committee's assistance, yet there was evident a keen interest and they were adopted with more or less regularity by the local associations. Your committee can express no conviction upon the nature of results accomplished through this experiment nor the support that such a committee would probably receive in the present year, for as stated, no referendum was taken upon the value and probable assistance of the committee's work. What it has to say reflects mainly the conclusions of the committee.

A uniform and regulated discussion upon credit topics of common interest should prove of direct advantage to credit men and tend to the

promotion of our association ideals and business standards. The interchange of thoughts and ideas upon credit topics cannot fail of good results, and the extent of the good to be obtained must depend entirely upon the attitude of each association in its use of the suggestions of the committee.

We are led to believe that the topics suggested during the past year opened up channels of thought and close analysis that were educative to credit men, and inspired in them strong and helpful attitudes toward credit problems.



A. W. PICKFORD
Girard National Bank, Philadelphia, Pa.
Chairman, Business Meetings Committee

It has been the thought of the officials of some local associations that their open and public meetings should be devoted to recognized talent or subjects of civic and social interest; and while your committee does not advise against the continuance of such plan for public meetings, yet it sincerely believes that at least thirty minutes of each evening or monthly meeting could properly be devoted to the consideration of an interesting

credit topic, the discussion upon it being led by members of the association.

Whether or not the Special Committee on Business Meetings is continued, it is our sincere hope that associational meetings will be devoted in a larger measure to the presentation of credit topics and the promotion of education upon efficient credit management.

It is not thought necessary by your committee to incorporate in this report the topics suggested by it during the year. It is sufficient to state that they were topics of live interest such as should arouse helpful discussion.

We beg to tender the following resolution:

"Resolved, By the National Association of Credit Men in convention assembled, that the Special Committee on Business Meetings be continued; that it present live and interesting credit topics for discussion at the business and luncheon meetings of local associations, and that the associations be urged to support the work of the committee by reserving at least a brief period of their business meetings to a consideration of topics suggested by it."

Respectfully submitted,

CHAS. BIGGS,
S. G. ROSSON,
J. SPENCER BROCK,
FREDERICK P. CRANE,
A. W. PICKFORD, *Chairman.*

President Salisbury—The report of the committee and the resolution offered is before you. What is your pleasure?

J. H. Biehn, Chicago—I move the adoption of the report. Motion seconded, put and unanimously carried.

Secretary Tregoe—Dr. Thompson has written to Mr. Ford: "I trust the convention is realizing expectations in every respect. Certainly a fine body of men, one of the finest I have ever been before in all my travels." (Applause.)

Recess until 2.30 P. M., Friday, June 26, 1914.

FOURTH DAY
Friday, June 26, 1914
AFTERNOON SESSION

President Salisbury called the afternoon session of the last day of the convention to order at 2:45 P. M.

President Salisbury—The first order of business this afternoon is the report of the Committee on Credit Education and Management, A. J. Gaehr, of Cleveland, chairman. (Applause.)

Report of Committee on Credit Education and Management

To the Officers and Members of the National Association of Credit Men.

GENTLEMEN:—

The educational work commenced two years ago by several of the larger associations has borne fruit beyond our hope or anticipation. When the first course in credits was initiated in St. Louis followed closely by other associations, we believed that the educational work of the Association was certain to grow, that it would be organized with great care, but we had not anticipated that there would be such a universal and general response. Not only have the associations in the larger cities taken hold mostly in connection with the classes conducted by the Young Men's Christian Associations, but following closely upon the last convention, inquiries came from institutions of learning, first among them the University of Pittsburgh.

Your committee early formulated a plan under which the present institutions should be utilized to the fullest extent. We believed that the excellent school system which we had would readily adapt itself to the needs of business men. We urged that between the schools and business men there should exist the very closest relations for reasons too obvious to mention. We felt that if the business forces in general did not take interest in school work, they could have no ground for complaint if their needs were not met by the schools.

The fact that our organization is the country's greatest and strongest commercial body puts an additional responsibility on our shoulders. The Association, we are grateful to be able to say has met the need, and has been true to its duties.

A number of the local branches communicated directly with the school authorities and it is with a great deal of pleasure and pride that your committee is able to report that the work of the several branch associations has borne fruit to the extent that the State University of Washington has organized a special department of commerce at the instance of the Seattle Credit Men's Association.

The Chicago association has maintained the closest relations with the University of Chicago and the Northwestern University for the purpose of emphasizing the work of credits in their departments of commerce.

The University of Pittsburgh was so impressed by the work of the Association along these lines that it responded readily to the suggestion to open a course in credits and through the efforts of the Minneapolis

association a Merchant's Short Course was conducted at which several of our members lectured. The university authorities expressed great enthusiasm over the result of this venture.

The State University of Missouri, the St. Louis University, is paying attention to our work, and the Cincinnati association is negotiating with the University of Cincinnati authorities for the purpose of strengthening the course of credits, and establishing a special department of commerce.

At the request of the Cleveland association, the Cleveland Chamber of Commerce is investigating the feasibility of organizing a "College of



A. J. GAEHR
Geo. Worthington Co., Cleveland, Ohio
Chairman, Credit Education and Management Committee

Commerce" to become an integral part of the Western Reserve University located in Cleveland.

Your committee mailed an excellent address delivered by Dean J. T. Holdsworth, of the University of Pittsburgh before the Cleveland association, to the presidents of all the associations, and through the local branches to the school and college authorities, chambers of commerce and newspapers interested. The response received indicated clearly that

business men are alive to the need in commerce for a more broadly educated business man.

The courses conducted this year indicate clearly that a higher grade of men is being increasingly attracted to the class and profession of credit men. Our association opened its course with a brief treatment of business economies, with the result that a large number of men was attracted and a keen interest was maintained throughout. The Association also conducted a special course for retail credit men which was as successful as the other section of the course. Our experience has demonstrated the need of having one or two teachers, and not more than two teachers, for the entire course so that continuity shall be maintained throughout. Your committee believes that the work of the teacher should be supplemented by addresses on the part of business men, drawing upon their fund of information gained in actual work.

This conclusion was reached independently by the leaders in the very successful course conducted under the auspices of the National office at the Brooklyn Y. M. C. A. In the course this year there, a radical departure was made from the method of isolated lectures followed during the two previous years, not more than a quarter of the number of lectures being drafted this year but each was made responsible for a group of lectures treating one general subject. The next logical step in perfecting this system is that already suggested, to have one teacher in attendance upon the entire course assisted by lecturers drawn from every day practice. Another discovery at the Brooklyn course was the advantage of electing by popular vote an executive committee of class members who shall with the person in charge discuss the welfare of the class from all angles and help in introducing features which will serve to stimulate interest.

We must insist that there be a very strong foundation laid upon which the work of the credit class can build. Mere lectures in credit will never make a credit man, and more than this, we should not admit men to our classes unless we think they have some aptitude for the work, and have training enough to pursue the studies with profit.

Your committee has also arranged for examinations to be held and prizes to be offered to the three highest papers, and we would recommend that these examinations be held again next year, and that they be thrown open to all students in credits, including those in colleges and universities.

Your committee endorses the suggestion of the last year's committee that the course should embrace economics, credits and allied subjects.

There should be uniformity throughout our courses, and the associations conducting the classes should report to the National office on uniform blanks.

The need of a proper text book was again greatly felt in this year's work.

In conclusion your committee begs leave to offer the following resolutions:

I

"Resolved, That the courses arranged by the local associations of credit men usually in co-operation with the Young Men's Christian Associations be continued wherever feasible, but be extended by the addition of the study of economics, money, banking, accounting, commercial law and other like subjects. That the courses wherever established be uniform as far as possible, and that reports concerning them be made to the National Association.

II

"Resolved, That the local associations be urged to maintain close relations with the schools and college authorities in their districts, encouraging their work and emphasizing the need of proper commercial education as a basis for the proper conception of the work of credit men, and that these colleges and universities be urged to include a proper training course in credits.

III

"Resolved, That the National Association of Credit Men renew its sincere thanks to the Young Men's Christian Association throughout the country and to those schools and commercial bodies which have manifested interest in credit education and have co-operated with our local branches in promoting classes in credits and management.

IV

"Resolved, That the Committee on Credit Education and Management be authorized to prepare examinations to be held at the close of the credit course, at which time prizes are to be offered according to the judgment of the committee or judges appointed by the committee, and that these examinations shall be open to all students in properly organized classes on credit or students of colleges of recognized standing."

Respectfully submitted,

W. B. FISH,
JAMES K. CALHOUN,
Jos. H. ZELCH,
S. C. ROGERS,
O. A. MONTGOMERY,
J. C. HUNT,
C. E. MANN,
L. W. BROWN,
W. M. KENNARD,
B. K. KNAPP,
W. C. KENNEDY,
A. J. GAEHR, *Chairman.*

President Salisbury—The open parliament on the report of the committee and the resolutions offered will be led by C. E. Vandel of Kansas City. (Applause.)

Mr. Vandel—The credit men of the country owe a great debt to the St. Louis Association of Credit Men in that it was the pioneer in credit education. I think this educational endeavor has done more to develop our organization than any other feature that has been introduced in recent years.

The report of the Committee on Credit Education and Management as read by your capable chairman represents scientific study and mature deliberation. The work which the credit men's organizations are doing in this direction throughout the country is one to be commended and highly praised.

This twentieth century is one of specialization, the young man of today starting out on his journey through life must now prepare himself for one special duty. He must lay the foundation well in order to compete in the great game of commercialism. However, not all young men,

by force of circumstances, are in a position to obtain the advantages of a college education, a great number never getting beyond the high school course. As the minds of men generally trend toward advancement, then there must be some means devised whereby this inclination can be stimulated and assisted in its upward course.

In every youth, however humble his beginning, we have a prospective merchant or financier, and the more substantial his foundation, the better can he share in continuing commercial affairs on the present high plane. To my mind the educational feature propagated in the credit men's courses offers great advantages and inducements to this end.

As an organizer and instructor in one of these courses, I found the great handicap to be lack of suitable text books on the subject of credits, but I hope the time is not far distant when this void will be filled and a book given us bearing the label of the National Association of Credit Men.

In a careful perusal of some of the courses outlined in a number of association cities, I find that a majority of them follow the lecture system. While lectures are instructive and valuable to one who has had some practical experience in credit granting, they do not cover the field so well as if conducted in connection with class work in economics, commercial law, banking and the theory of credits.

I find that the student who is well drilled in these elements will more readily grasp the ideas and thoughts conveyed in the lectures. To be a good credit man, it is essential that one have a practical knowledge of the principles of law governing contracts and sales. He should not only have these, but be acquainted with the economic laws governing the production, distribution and consumption of wealth, their relation to each other and the part they play in the great commerce of the nations.

It has been said, and rightly too, that all noted bankers and financiers are great credit men. Then in order to attain this enviable distinction it behoves one to familiarize himself with the principles of banking and the position which the banks hold in the onward progress of commercial supremacy.

The theory of credit is an important feature which should not be overlooked and great effort should be put forth in making this one of the prime elements in credit instruction.

How many of our matured credit men can differentiate between industrial, commercial, public, individual and capital credit, and upon what does each depend for its force in the world of business today. If we instruct rightly, our premises should be laid upon a firm foundation; we should not give the untrained mind a mere inkling of what credit consists of.

Most courses we have established provide for only one year's instruction of one or two nights each week, but it is my opinion much more good would result if this outline could be spread over two years; the first year consisting of instruction covering the fundamental principles of credit, economics, commercial law and banking; and the second of lectures and analyses of financial statements. The course at Kansas City was conducted on this order, but better results would have been received if the course had covered two years.

For a study of financial statements we obtained actual statements from the prominent wholesale houses, so that we had actual live cases.

The plan pursued was as follows:

1. Statement from a new customer on whom credit was passed; the amount of the first order and on what basis the credit was passed.
2. A statement from a customer on whom credit was declined and reasons for declining.
3. A statement from an old customer; how long sold and manner of paying his account.

Fictitious names were substituted when the reports were rewritten. All trade information was appended, and each student was furnished a copy together with the amount of the order. The basis on which credit was passed by the credit man furnishing the statement was not made known to the class until it was fully analyzed and dissected.

I have found it a handicap when starting our courses that we had no outline to proceed by. So I think that no better work could be done by the Committee on Education and Management than that they assist the different associations in this direction. Consequently I have the following resolution to offer:

"Resolved, By the National Association of Credit Men, in convention assembled, that the incoming Committee on Credit Education and Management be requested to outline a course of study to meet the present demand, for use in Young Men's Christian Associations or other courses being conducted under the supervision of local Credit Men's Associations." (Applause.)

On motion, duly made and seconded, each of the resolutions offered by the committee, as also the resolution offered by Mr. Vandel, was passed.

President Salisbury—By an oversight on the part of the chairman, a very important part of the program was omitted. We will now, with the permission of the convention, resume under the head of communications, as Ira Kingsbury has still a few announcements to make.

Mr. Kingsbury (Great applause) At this point the band played "We Won't Go Home Until Morning."

Mr. Kingsbury—See what you get by being leader of the band; they will play whatever best fits into what you want to say. (Laughter.)

I want to speak to you now seriously (laughter) about a matter that is rather personal. We have never had the pleasure of entertaining the National Association of Credit Men in Rochester; but we have entertained the board of directors. Some of the delegates are ex-members of the board. Now, I do not know whether the habits of the board members have filtered down to any great extent into the delegates or not, but the last time, and the only time—well, the last time that Rochester had the pleasure of entertaining the board of directors, one of the directors jumped his schedule a bit, and instead of leaving town at nine o'clock, when the rest were going, left at six o'clock in the morning. (Laughter.) About a week after that, the hotel called me up and asked me if I knew H. G. Moore. (Applause and Laughter.) I said, I did. Well, they said, he left the hotel here owing us \$13.50 for a hotel bill. I said, send me the bill and I will pay it; and I did; I was glad to help him out. (Laughter.) But I can't do that for all of you. So if you will all please take this reminder, to pay your hotel bills, and not have them sent to me, why, it will be a great help. (Laughter.)

President Salisbury—The next order of business is the report of the Committee on Resolutions, H. G. Moore of Kansas City, chairman. (Great applause.)

Mr. Moore—With reference to the remarks of Mr. Kingsbury regarding my hotel bill (laughter) his accusation is true; but the reason that I did not pay my hotel bill was that they made me feel so much at home, all thought of paying bills slipped my mind; but this year, wanting to be sure that my hotel bill was paid, I brought my wife along. (Laughter.)

The resolutions offered by your Committee on Resolutions are as follows:

I.

"WHEREAS, The question of "The Observance of Sales Terms, especially as they relate to the Cash Discount," is one of deep interest to credit men in all lines, bearing as it does directly upon profit margins, and

"WHEREAS, The abuse of sales terms is a commercial evil against which we should direct an insistent and concerted effort, be it

Resolved, That the National office be requested to publish in pamphlet form the address of James L. O'Neill, Pittsburgh, Pa., delivered at this convention, and that the widest possible distribution of this pamphlet among the trade be encouraged by all grantors of credit."

On motion by Mr. Moore, seconded by Mr. White of Chicago, the resolution was adopted by unanimous vote.

II.

"WHEREAS, There are published monthly by the mercantile agencies failure statistics covering the number of failures, together with records of liabilities and assets therein, the accuracy of which is of distinct importance to all responsible for credit extensions, and

"WHEREAS, The Adjustment Bureaus of this Association handle out of bankruptcy a large number of settlements, the inclusion of which in any statement of failure losses and salvage is becoming each year more important, be it

Resolved, That the National Association of Credit Men take such steps as are necessary to get into the hands of the agencies each month figures which will show, first, the number of friendly adjustments undertaken by our Adjustment Bureaus; and second, the amount of liabilities and probable salvage therein, all figures to be published in the aggregate, that is, for the entire Association."

On motion by Mr. Moore, seconded by Mr. Morawetz of Milwaukee, the resolution was adopted by unanimous vote.

III.

Resolved, That the incoming committee on mercantile agencies is directed by this convention to investigate the feasibility of mercantile agencies publishing in their books of reference, in addition to the information now given, the year in which the respective subjects reported upon started in business, the investigation to be carried on with the idea of the committee inducing the mercantile agencies, if possible, to publish this additional information in future issues of said books; further, that the said committee shall report to the members of the Association, through the monthly Bulletin, and at the next annual convention the results of its investigation and efforts."

On motion by Mr. Moore, seconded by Mr. Oatley of Utica, the resolution was adopted by unanimous vote.

IV.

"WHEREAS, Upon various occasions, the American Bar Association has indicated its willingness to aid in uplifting the tone of the bar of the country, and

"WHEREAS, At its last annual convention, it authorized the appointment of a standing committee on professional ethics, and

"WHEREAS, From time to time, criticism of professional conduct of lawyers in centers other than the large cities is made, and

"WHEREAS, There is not now in existence any committee authorized to take proceedings similar to those instituted by the Bar Association of the City of New York and like organizations, to discipline and punish lawyers guilty of unprofessional practice; now therefore be it

"Resolved, That the American Bar Association, at its next annual convention, be requested by this convention to consider the advisability of establishing and maintaining, under its auspices, a national bureau for the reception of such complaints as may be made concerning unprofessional practices by lawyers, with full power and authority to make investigation in each case, and, wherever the circumstances warrant, to institute appropriate proceedings for the discipline of lawyers guilty of such practices, and further

"Resolved, That the secretary of the Association be requested to transmit this resolution to Hon. William H. Taft, president of the American Bar Association."

On motion by Mr. Moore, seconded by Mr. Diggs of Baltimore, the resolution was adopted by unanimous vote.

V.

"WHEREAS, The National Association of Credit Men appreciates fully the importance of the relationship between lawyer and client and has from time to time given expression to this appreciation and has adopted canons of ethics in some respects covering the relationship between client and lawyer, which the members of this Association observe, and

"WHEREAS, Within recent years there has developed a very marked and notable effort on the part of organizations of lawyers to make the relationship cleaner and more wholesome, both by the establishment of higher standards and the systematic punishment and elimination from practice of unworthy members of the bar. and

"WHEREAS, We believe it to be the duty of the Association to do all in its power to aid in this work, be it

"Resolved, That this Association extends its congratulations to the bar of the country upon the results of its work so far and now offers its hearty co-operation in any respect in which it may be deemed appropriate or available, and further

"Resolved, That whenever, in his judgment, the occasion warrants, the president be and he hereby is authorized to appoint a special committee, which shall have power to confer with any organization or group of lawyers engaged in raising the standards of the practice of law, and to make report from time to time upon any methods or procedure which, in the opinion of such committee, may aid in accomplishing the worthy and laudable object of making the relation of lawyer and client better and cleaner."

On motion by Mr. Moore, seconded by Mr. Porter, of Pittsburgh, the resolution was adopted by unanimous vote.

VI.

"WHEREAS, The National Association of Credit Men in annual session at Cincinnati, in 1913, unanimously endorsed the program of the American Bar Association looking to simplifying, expediting and lessening the costs and delay of litigation; and

"WHEREAS, A complete program, energetically backed by the leaders of the American bar has been embodied in H. R. 133 introduced in Congress by Judge Clayton and Honorable E. Y. Webb which is now upon the calendar of the House of Representatives with a favorable and enthusiastic report made by the House Judiciary Committee; and the same bill has been pending before the Senate Judiciary Committee for several months awaiting action by that distinguished body, and

"WHEREAS, The potency and effect of a law is measured absolutely by the machinery through which it is administered to the people and can be no better than the manner in which it is enforced, and

"WHEREAS, The present machinery furnished by Congress which the courts are required to use is universally admitted to be wholly inefficient and in need of a complete reform both as to the form thereof and the manner of creating it, Congress tending to place the cart before the horse in enacting more law before properly preparing for its administration, and

"WHEREAS, The judges and the lawyers are receiving the entire condemnation for the present unsatisfactory condition when as a matter of fact it appears that they are bound by unyielding statutes arbitrarily enacted by Congress which they are sworn to follow and obey though injustice be done by such procedure in their very presence, and

"WHEREAS, The business men of this country are and have been for many years bearing patiently this wholly unnecessary and expensive burden; the judges and lawyers have been condemned for serious faults for which they are in no way responsible and the power and dignity of and respect for the courts have been greatly impaired; Now, therefore, be it and it is hereby

Resolved, First, that the President of the United States and the Congress be and they are respectfully but most earnestly requested to enact into law House Bill No. 133 without further delay;

"Secondly, That there be conveyed to them the expression of our confidence in their patriotism and earnestness of purpose, as is evidenced by this petition, and our firm belief that they will promptly rid business men of the wholly unnecessary burden that is driving them from the courts and causing them to resist and to resent all efforts to place their undertakings and assets under the control thereof;

"Thirdly, That we call upon individual business men and business organizations all through the country to convey to the President and to the Senators and Congressmen at Washington the sentiments herein expressed and to demand immediate and favorable action upon House Bill No. 133.

"Fourth, That copies hereof be printed and be presented by the secretary to the public press, to the President of the United States, and to each member of the Senate and House of Representatives with request that reply be made thereto."

Mr. Moore—I move the adoption of the resolution. Seconded by Mr. Sheffey of Lynchburg.

H. G. Williams, Detroit—I am not familiar with the number of those bills on the calendar, and I think before we vote it would be well to explain to us what House Bill 133 really is. I do not know what it is by that number.

Secretary Tregoe—House Bill No. 133 is for the purpose of simplifying judicial procedure. There is to be a conference of judges this fall tending toward the simplification of judicial procedure, and it is the feeling that Judge Clayton's bill should pass and become a law in order that the federal judges may participate in that conference, and that we may look as business men to more expedition in the adjudication of cases brought to the attention of the state and federal courts. (Applause.)

Mr. Williams—I think every man in this assembly ought to vote "aye" on that motion and question. (Applause.)

Motion put and unanimously carried.

VII.

"WHEREAS, This convention is honored by the presence of a distinguished company of credit men, members of the Canadian Credit Men's Association; and

"WHEREAS, There is a growing recognition of the mutuality of interest between the credit grantors of the Canadian provinces and these United States; and

"WHEREAS, The time seems to have come when the informal exchange of courtesies between the Canadian Credit Men's Association and the National Association of Credit Men should take a more definite working form with a view to enlarging the field of mutual helpfulness; be it

Resolved, That the National Association of Credit Men in convention assembled expresses its sincere gratification and pleasure in having the Canadian Credit Men's Association so largely represented on this occasion.

Resolved, That it is the sense of this convention that there should be a committee of seven, of which the secretary-treasurer of this Association shall be a member ex-officio, which, with a like committee from the Canadian Credit Men's Association, shall be a committee on closer relationship between the two associations, whose duty it shall be to map out a definite program which shall put the two associations upon a cordial co-operative working basis.

Resolved, That the board of directors when assured of the kindly attitude of the Canadian Credit Men's Association in this matter shall be authorized to name such committee."

On motion of Mr. Moore, seconded by Mr. Hardy, of Chicago, the resolution was adopted by a unanimous vote.

VIII.

"WHEREAS, The welfare and prosperity of our people are conditioned upon the health and soundness of the credit system; and

"WHEREAS, The written property statement has now become one of the main determinants—in many cases the only determinant—in credit extensions; and

"WHEREAS, There is now before the House of Representatives a bill known as the 'Sabath Bill,' introduced at the instance of this Association, the purport of which is to penalize the use of the mails for the purpose

of forwarding untrue statements with the expectation that they will be relied upon in extending credit; be it

"Resolved, That it is the duty of this Association to exert its utmost powers to protect the credit system against those who would secure credit to which they are not entitled through written statements materially false.

"Resolved, That it is the further duty of this Association to exert its fullest influence for the enactment of the Sabbath bill in order that our post office facilities shall not be taken advantage of, except under severe penalties, for the circulation of false statements prepared with the expectation that they will be relied upon in advancing money or goods on credit."

On motion of Mr. Moore, seconded by Mr. Whitlock, of Chicago, the resolution was enacted by unanimous vote.

IX.

"Resolved, That this Association heartily approves the principle and purpose of Bill H. R. 10944, introduced by Congressman Steenerson, which, if enacted into law, will penalize, maliciously false and lying advertisements intended to advance the sale of merchandise."

COPY OF BILL.

A BILL PROHIBITING FALSE AND MISLEADING ADVERTISING.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that whoever shall cause to be inserted in any newspaper, magazine, catalogue or other publication intended to be carried in, and which shall be deposited in the United States mail, any advertisement which shall contain any false assertion of fact calculated to mislead concerning the quality, genuineness, value or method of production or manufacture of any merchandise, shall be fined not exceeding \$500 or be imprisoned not more than one year.

Motion to adopt was made by Mr. Moore and seconded by Mr. Petzold, of Detroit.

Mr. Petzold—I assume the resolution has the approval of the Legislative Committee? Is not that a subject that should properly be passed upon by them?

Mr. Moore—It has not had the approval of that committee. It came to us as a bill prepared and being advanced by the "Ad men" of the country.

Mr. Petzold—Is it certain that the bill could not be put in better form than that and made more effective? I do not know, I merely ask.

Mr. Moore—This is copied from a bill now in Congress.

Motion put and carried unanimously.

X.

"WHEREAS, It is reported that efforts, more or less organized, are being put forth to create a sentiment, intending to influence our Congress to repeal the National Bankruptcy Law of 1898, be it

"Resolved, That the National Association of Credit Men, at Rochester, N. Y., in convention assembled, declare their belief that the repeal of the National Bankruptcy Law would create most unfavorable conditions towards the business of the country; that in its belief it is more just and more successful in application than any previous statute enacted; that the Association views with great hesitancy a repeal that would

again place commercial failures under the insolvency laws of the various states for disposition. The Association lends its efforts and influence toward eliminating the abuses that take place under the Bankruptcy Law, and its sentiment is that the present law, honestly enforced, and receiving the support and attention of the business men, has the confidence of the Association."

On motion by Mr. Moore, seconded by Mr. Underwood of Newark, the resolution was adopted unanimously.

XI.

"*WHEREAS*, Many of the delegates to these conventions are not only responsible for the credit extensions of their concerns, but for their financial and accounting departments, which require close personal supervision just before and after the first of each month, be it

"*Resolved*, That this convention respectfully suggests to the board of directors of the National Association that hereafter the opening day of these annual meetings be set not later than the 15th of the month in which the convention is called."

On motion by Mr. Moore, seconded by Mr. Haskel of Detroit, the resolution was adopted by unanimous vote.

XII.

"*Resolved*, That the National Association of Credit Men again gives expression to a demand on the part of its members for one cent letter postage and for such readjustment of the rates applicable to the various classes of mail matter as will more nearly place each class on a self-supporting basis and instructs its officers and directors to use all proper means to effect the necessary legislation."

On motion by Mr. Moore, seconded by Mr. Dwyer of Buffalo, the resolution was adopted by unanimous vote.

XIII.

"*Resolved*, That we, the delegates to this convention, representing practically every affiliated branch of the National Association, do hereby dedicate ourselves and the branches we severally represent to a supreme effort to the end that when we shall assemble for our twentieth annual meeting, there shall be enrolled in this Association twenty thousand members, and the slogan "20,000 members at our twentieth anniversary" shall have accomplished its full purpose."

Motion to adopt made by Mr. Moore, seconded by Mr. Schnaitter of Cleveland.

J. M. Smith, New York—I move to amend, inserting the words "at least" just between the words "Association" and "twenty."

President Salisbury—I would ask the committee if it would accept an amendment of that character?

Mr. Moore—I would rather have it read "or more." (Laughter and applause.)

President Salisbury—There should be no personalities in these resolutions. (Laughter.) The committee having accepted the amendment, are you ready to vote upon the resolution?

Motion put and unanimously carried.

XIV.

"Though urging the employment of every possible means for the continued building up of the Association's membership, it is here

Resolved, That our affiliated branches be urged with all emphasis to direct every effort for membership growth so that our organization in all its parts shall rightly conform to those constitutional qualifications for membership set out in Article II, Section 1, as follows:

"Membership shall consist of credit men, representing corporations or individuals and firms engaged in any legitimate line of business where credits are given."

Mr. Moore—I move the adoption of the resolution. Seconded by Mr. Wiener of Milwaukee.

J. C. Werkheiser, Philadelphia—Should it not read "individuals, partnerships, firms or corporations?"

Mr. Moore—Representing corporations, or individuals engaged in any legitimate line of business.

Mr. Werkheiser—That does not include partnerships.

Mr. Moore—I think the word "firms" should be included. We will so insert.

President Salisbury—Is that satisfactory?

C. E. Vandel, Kansas City—I notice in that resolution you say credit men. I do not believe this wording could have been intended. I would like to add the word "credit women," so that Kansas City may come in there with its female credit man. (Laughter and applause.)

President Salisbury—Under the circumstances I am sure that the chairman of the Committee on Resolutions cannot fail to accept such an amendment.

Mr. Moore—I would not dare not accept it.

Motion put and unanimously carried.

XV.

(a)

"WHEREAS, In the death of Charles G. Rapp, not only the Philadelphia branch of this Association but the entire national body has lost one of its most highly esteemed members, one whose manly, earnest, thoughtful consideration, fine sense of justice, broad understanding and high ideals in all departments of life commended him to his fellows as one to be entrusted with difficult tasks and lifted to positions of leadership and responsibilities among them, be it

Resolved, That we, the members of the National Association of Credit Men in convention assembled desiring to give expression to our high regard and love for Mr. Rapp and to our deep sense of loss, cause this acknowledgment to be spread upon the minutes of this convention and direct that a copy of this resolution be sent to Mrs. Rapp as a slight token of our earnest sympathy in her great loss."

(b)

"One year ago, Richard P. Messiter, of New York, rose before this Association and delivered an appreciation of our departed members that left a deep impress upon every man who heard him.

"But that which struck his hearers quite as much or more than what he said was the man himself, who, as one who knew him best has said, was the embodiment of high commercial honor and integrity.,

"Clear of thought, wise in his judgments, liberal in the exchange of information, no matter to what pains he had been to secure it, thoughtful upon the problems which face us in the rapid expansion of our population and commerce, thoroughly practical yet helping to formulate the highest ideals of the credit profession, and serving in the ranks and among the leaders in their realization, such was Richard P. Messiter, and it is with the deepest feelings of appreciation for such a life that we now

"*Resolve*, That in Richard P. Messiter, the National Association of Credit Men has lost one whose life immeasurably enriched and blessed the Association, and it is with the deepest sorrow that we here make note of our loss in his death."

Mr. Moore: Mr. President, with these two resolutions, I move you, sir, that they be adopted by a silent standing vote. Seconded by Mr. Haff of New York.

Resolutions adopted by a standing silent vote.

XVI.

"WHEREAS, Henry Decker Goodwin, of Milwaukee, Wisconsin, departed this life, on the 22d day of September, 1913, at the age of 54 years; and

"WHEREAS, The National Association of Credit Men deplores, in his death, the loss of a faithful servant, a scholarly versatile and upright man, a singularly gentle soul, therefore, be it,

"*Resolved*, That the National Association of Credit Men in convention assembled, in the year of 1914, at Rochester, New York, reverently offers its resolution of memorial in honor of the memory of Henry Decker Goodwin; and be it furthermore,

"*Resolved*, That this resolution be properly inscribed upon the records of the Association, and a copy thereof, suitably engrossed, transmitted to the family of the deceased."

Mr. Moore—I move the adoption of this resolution.

H. C. Bainbridge, New York—In seconding this resolution, I should like to refer to the excellent service of Mr. Goodwin over many years in these conventions, and his untiring industry.

President Salisbury—in this case, as in the previous cases, the chair would suggest that this resolution be adopted by a standing silent vote.

Resolution so adopted.

XVII.

"*Resolved*, That we extend to the trade reviews and the press of the country, in general, our appreciation of their courteous treatment in bringing before the public the purposes of this Association and its methods of work, and particularly to the daily papers of the city of Rochester we tender our acknowledgments for the prominence they have given the Association in their columns during these sessions held in their midst, and for the care they have evidenced in publishing the accounts of our deliberations."

On motion duly made and seconded, this resolution was unanimously adopted.

XVIII.

"WHEREAS, *The Daily Trade Record of New York* has again, throughout the past year given full publicity to the work of the National

Association of Credit Men and its affiliated branches throughout the country, and has again reported in detail the proceedings of this convention, therefore, be it,

"*Resolved*, That the National Association of Credit Men in convention assembled, expresses its cordial appreciation of the enterprise of the *Daily Trade Record* and its representatives."

On motion by Mr. Moore, seconded by Mr. Petrus, of New York, this resolution was unanimously adopted.

XIX.

"*Resolved*, That we, the members of the National Association of Credit Men in convention at Rochester, do take great pleasure in extending our heartiest thanks to our president, vice-president, members of our board of directors and members of our various standing and special committees for the able and conscientious manner in which they have performed the very important and often exacting duties which devolved upon them during the past year; and be it further

"*Resolved*, That we do express our appreciation of the excellent reports presented to this convention, all indicating zeal and fidelity in behalf of the best interests of the Association in the management of the various departments of our work."

Mr. Moore—I move the adoption of the resolution.

E. F. Sheffey, Lynchburg—I move that the resolution be adopted by a rising vote and that the chairman of the Committee on Resolutions put the motion, as it involves President Salisbury.

Mr. Moore—You have heard the resolution, with its second. All in favor will stand.

Motion carried by a standing vote amid great applause.

XX.

"*Resolved*, That we express our heartiest thanks to the Hon. Hiram H. Edgerton, mayor of the city of Rochester; Roland B. Woodward, secretary of the Rochester Chamber of Commerce; George G. Ford, president of the Rochester Credit Men's Association; Daniel B. Murphy, of Rochester; Dewitt B. Thompson, D. D., of Syracuse; S. J. Whitlock, of Chicago; James L. O'Neill, of Pittsburgh; the Hon. Carter Glass, of Virginia; D. A. Landress, of Chattanooga; Justice William E. Werner, of Rochester; Edward James Cattell, of Philadelphia; Dr. Charles R. Van Hise, of Wisconsin; E. F. Sheffey, of Lynchburg; F. H. Wentworth, of Boston; Herbert E. Choate, of Atlanta; C. R. Burnett, of Newark; Elliott C. McDougall, of Buffalo, and Louis S. Goldstein, of New Orleans, for their able, helpful and entertaining addresses which we shall take pleasure in placing in the records of the various sessions of this nineteenth annual convention."

On motion by Mr. Moore, seconded by Mr. Ryan, of Allentown, the resolution was unanimously adopted.

XXI.

"WHEREAS, The members of the Rochester Credit Men's Association have with such cordial and splendid generosity extended the greeting and hospitality for which their city is famed to this nineteenth annual convention of the National Association of Credit Men; and

"WHEREAS, The one desire of officers, committees and members has been to provide every possible comfort, convenience and pleasure for their guests;

"Resolved, That we, the visiting members of the National Association of Credit Men do hereby tender to the Rochester Credit Men's Association, its officers, committees and all who have given us their attention and good wishes our warmest appreciation for the many kindnesses extended and for the splendid hospitality which we have received from their hands." (Great applause.)

Mr. Moore—I move the adoption of the resolution.

F. H. Randel, Cleveland—For the past four days we have enjoyed the hospitality of the Rochester Association of Credit Men. We have seen and enjoyed their entertainments. They have royally entertained our wives, our daughters and our sweethearts, and at this time, just before our departure, I think the best thing we can do, inasmuch as we cannot repay them for what they have done for us, that we give them a rising vote, with three cheers and tiger. I second Mr. Moore's motion. (Great applause.)

President Salisbury—All in favor of this motion will please respond. The resolution was carried amid great applause, and three cheers and a tiger, and a song.

XXII.

"WHEREAS, The social enjoyments which are properly a very important feature of our annual conventions are largely due to the gracious presence among us of many of the wives and daughters of our members, and

"WHEREAS, We are deeply indebted to the ladies auxiliary of the Rochester Credit Men's Association for the delightful program they arranged and carried out so successfully for the entertainment of their guests, be it

"Resolved, That we do express our acknowledgments of the honor the ladies have extended us in favoring us with their presence in this convention, and we trust in increasing numbers they will be in attendance upon our future conventions,

"Resolved, That we do by rising vote most gratefully and happily express our acknowledgments to the ladies auxiliary of the Rochester Credit Men's Association for the open-hearted hospitality they have given our lady friends which neither they nor we shall ever forget, but which we hope we may some time be privileged to reciprocate.

Mr. Moore—I move the adoption of this resolution. (Applause.)

Miss Bertha Miller, Kansas City—I second the adoption of this resolution. (Great applause.)

President Salisbury—in putting this motion, which, as the chairman of the committee said, it was a great pleasure to present, I would ask if there is any more emphatic manner of expressing your appreciation than merely to stand. Will you use that method of expressing your appreciation. (Laughter.)

Motion put and carried amid great applause, the convention singing: "She's a Jolly Good Fellow."

President Salisbury—All in favor of the adoption of the resolution as offered by the committee will please express it. (Laughter and great applause.)

President Salisbury—I had really hoped that you could do better than that. I will, however, declare the vote to be unanimous and the resolutions carried. (Laughter and applause.)

XXIII.

"WHEREAS, The National Association of Credit Men, the largest commercial organization in the country, comprising in its membership representatives in every line of trade and manufacture as well as most of our financial institutions, its influence exerted in every state and practically every sub-division of the country, now in annual convention at Rochester, N. Y., is about to adjourn.

"Resolved, That we, the members of the Association, return to our respective homes in the firm belief that the foundations of American commerce were never stronger and surer than today; that there has rarely been a time when the advance toward larger prosperity and expansion could proceed with so great safety; never been a time when the business men of the country were so broad and intelligent in their sympathies and so ready to co-operate unselfishly for that which makes for better business; never been so prepared to join with those in authority and each other in the process of lifting business methods and system to levels where they will be of better service for the whole people, and be it further.

"Resolved, That the members of this Association take up the work of another year, each determined that he shall do his utmost in building a bigger and better business for America, each fully appreciative of his responsibility in guarding against sentiments, influences, and methods which tend to check that prosperity which is the rightful claim and heritage of every American citizen."

Mr. Moore—*Gentlemen of the Convention:* Yesterday there was a cloud in the sky, but tomorrow and ever after the sun will shine. Big concerns have come and gone, like men who have lived and died; but never before, in the feeling of your committee, was the time more opportune for the adoption of such a resolution and for the expression of the sentiments contained therein. (Great applause.)

E. F. Sheffey, Lynchburg—I move that that resolution be adopted by a rising vote. May it forever put to rest this pessimism!

Charles Reynolds, New Orleans—I second the motion.

Motion carried by a rising vote amid great applause.

President Salisbury—The next order of business is the report of the Committee on Audit, A. C. Carpenter, New Orleans, chairman. (Applause.)

Report presented by Mr. Carpenter as follows:

REPORT OF THE AUDITING COMMITTEE.

Rochester, N. Y., June 26, 1914.

Your Committee on Audit, through the power invested in it, having examined the books, vouchers, etc., of the National Association of Credit Men, as also the certificate furnished by the certified public accountant, respectfully reports that the cash balance as of date June 1, 1914, agrees

with the balance shown on the statement of the Mechanics & Metals National Bank of New York the said date.

Your committee is pleased to commend the manner in which the books, vouchers, papers, etc., in connection with the office are kept.

Respectfully,

G. J. G. Anderson,
H. A. Sedgwick,
A. C. Carpenter, Chairman.

On motion by Mr. Teaf of Philadelphia, seconded by Mr. Mentzer of Utica, the report was accepted.

President Salisbury—The next order of business is the nomination and election of a president of the National Association for the ensuing year. The chair is now ready to listen to nominations for that office.

William A. Prendergast, New York—*Mr. President, Gentlemen of the Convention, Ladies and Gentlemen:* Preliminarily, may I acknowledge my debt of gratitude to the members of the delegation from the great city of New York, many of whom more worthy and more deserving of the honor of presenting to you the name of a candidate for president, for very courteously surrendering this distinction to me. Possibly they did so because they recall that on two other occasions I have had the pleasure of presenting to conventions of this Association candidates for president, both of whom were triumphantly elected. (Laughter and applause.) This may have been chance, or it may have been a spirit of divination that enabled me to pick the chosen ones. I regret to say that all of my efforts in the nominations or elections of presidents have not been equally successful. (Laughter and applause.)

It is a very great pleasure to speak to you, not only in the capacity of a nominator, but as a member of this Association. It seems a strange thing, but when there is to be an election the chairs are always crowded and we are always assured of a large attendance. This is the case in this Association as in all other organizations. I presume that the psychology of the situation is this, that we all realize, when it comes to elections, we have each an individual voice, we have each a determining influence; and it is in order to exercise this influence that we come in large numbers to elections.

Now, the election of a president of this Association is a serious problem. When we are to select a man who will fill the place, we realize that he who is chosen for it must be one who embodies in his character, in his attainments and activities, the very best that animates the entire organization. He must be typical of the sentiments, the aspirations, the desires, that permeate this entire membership of 18,500 men, and it is not always an easy matter to find such an individual. Sometimes we elect an orator, other times we elect one who has distinguished himself in some particular line of activity; but no matter who he may be, I think that upon close analysis we will find that he is the man who incarnates the best views, aspirations and hopes of the organization.

In order to determine who the man shall be, we must first understand what the organization itself represents. And I can tell you that it is almost in a spirit of ecstasy that, as one of your humble followers, I am enabled to stand upon this platform this afternoon and realize that you represent a membership of 18,500 and more. That in itself is a triumph of the best species of organization work. And another thing: I wonder

if there ever was an association in this country, or any other, that, throughout nearly nineteen years of a busy existence, has traveled its path with so much success, with such little friction, with no internal dissensions worth speaking of or remembering. And I have no doubt that it is because we have all been able and willing, yes, and anxious, to merge differences of opinion that we may have had upon certain questions, into what we believed to be the very best thought of the organization, that we have been so signally fortunate.

There are some here today who remember the first convention of this Association. Verily, has the parable of the mustard seed been again vindicated. I am sure that if they should ask me to express the feelings that animate their breasts today, I would say for them that they are enthused, delighted beyond expression, that this work that they undertook so humbly nineteen years ago has now been developed into such a splendid fruition. And what does it all mean? What does it represent? In my judgment, it means that this Association has become the great educational influence in business throughout this entire country, because there is no other association so national in its character, so diverse in its activities, as this; and it should be our pride that we are members of such an organization. (Applause.)

I shall not attempt, and it is not necessary, to recite nor count the great works of the organization. But I should like to mention two things.

You know that in the ages gone by humanity had to depend upon the cloister, the residents of the monasteries, in order that the literary excellence of the times might be preserved. That was the great work that they performed; they handed literature down to us. In a sense, this Association has been emulating their great work. What have you been doing? What of the work that has been done in behalf of business literature? We no longer have to depend upon the individual efforts of a few individuals, unrelated in their purposes, desiring to express through the medium of a book their views upon the subject of credit; but through work of this Association, the work that during the last year has been so splendidly carried on by yourself, Mr. President, and by our honored secretary, we have added to the literature of business a collection or body of business literature that never before existed, and which, for the purposes of business men, stands unsurpassed in any library in the world. (Applause.)

My friends, this in itself is an accomplishment that would justify the existence of the organization, if you had never done anything more than this.

But I will just mention another field, and that is the field of public thought, especially as it relates to the work of legislation. And here, the Association has done so much, not in a perfunctory way, but in that earnest way, with that thoroughness that naturally characterizes the labors of the credit man; and the reason you have been so successful in this field is because your work has been done with that thoroughness that is characteristic of you.

On every hand, no matter where you may go, throughout this country today, you hear encomiums pronounced upon the labors and the efforts of this Association.

We need not praise ourselves, but we must not be unmindful of the work that we have been doing, and, therefore, the very fact of this work having been done, imposes upon us another tremendous responsibility. We must make the best of what we have at our hands. We must pre-

serve that which has been accomplished. Simply that it may be a monument for the present? Not at all! But that it may enable us to develop our labors still onward.

There happens very often, you know, in human affairs a disposition to go weary of the strife, to lay down the arms and let others take up our tasks, and every time that happens there is an impediment placed in the path of progress. But that has never been the case with this Association, and it never will be; the way in which we can guard against it is to see that in our officers, through whom we have been so fortunate in the past—with one exception (laughter)—we have men who will carry on this work as we would have it carried on, not for ourselves, because we amount to very little, each one by himself; it is only in the mass, in the great collective efforts of mankind, that things are really accomplished. Never was there an association, may I reiterate, that so well emblematised the principle of intense co-operation, sincere co-operation, as does this National Association of Credit Men. (Applause.)

Now, for this work we need leaders. Some people think that leaders are born, not made. Sometimes they are born, but often when they are born to the estate of leadership they require experience and knowledge, that they may be able better to perform their tasks. Now, I am going to present to you this afternoon for the office of president one who was not only born to leadership, but who has been developed in his capacity as a leader among us by his acquired knowledge and experience.

Old things are best after all; old friends are best, and when we are looking around this Association to select those we would like to honor, as well as those we would like to infuse with the responsibility of our work, naturally we turn to the old friends. And this old friend is one who twenty years ago was one of those who met at the old Astor House in New York and helped organize this movement. Think of it! How fortunate we are that we should be able to draw upon, to draft, if I may use that expression, one who was in at the very birth of this movement, who helped to conceive this splendid fabric that we are working for. And then he moved on as a humble member of his association and by natural selection became an official of the New York Credit Men's Association and its president for years; its president longer than he could afford to serve, but not longer than his associates desired to have him serve. And in that position he displayed that grasp of facts, that earnestness of purpose, that industry of effort that made his administration as the president of that local branch a most successful one.

When the National Association was looking for one to fill the office of secretary it offered the position to him and he accepted it as a trust; no trust was ever carried out with more fidelity or more faithfulness or with more earnestness or sincerity. When he left the Association as its secretary you still retained him at the family working table, and he has been there always; always at the beck and call of the membership of this Association. His great charm is the fact that the man is able to do all this, gives the best that is in him and that is a best of a very high type, let me say, and always do it in the spirit of, I was going to say, almost blind modesty. I could offer no higher tribute to any man than to say that throughout his work, no matter how high it might lead him, he was always modest, always one of our fellows. (Applause.)

And not only in the work of the Association has he displayed his fine capacities, but also in the work of the outside world. He has been successful, not because men placed the crown of success upon his head and

said, "There, now you are a successful man"; not at all, but because at each step on his road through life he has wrung success through earnest, indefatigable endeavor. That is the kind of an American we should honor. He is the kind of a man who makes America the land of hope and promise. (Applause.)

My friends, it is more than an official duty that I fulfill this afternoon. I speak at this time in a personal sense as well. I speak also from the sense of personal obligation, because never have I known a better friend than him whom I am delighted to present to you this afternoon as your candidate for president, and as your president, him who is the friend of all of us, him who has made his own way through life, a self-made man in every respect; one who has, in my judgment, achieved that, I might say, almost the finest crown that man could wear, and that is that he loves to accomplish things; he takes pride in the joy of accomplishment, not the mere joy of having done this in order to counteract you or me, my friends, not simply the mere fact that he has been able to overreach us, because those things cannot give the sincere heart any real joy; but the joy of accomplishment that comes to him who realizes that everything that has come to his hand, every task that has presented itself, has been done to the best of his ability; and, yes, he has been able to have encrolled to his credit a little of the success of life.

And it is in these words that I describe my candidate for president. I hardly need to name him, and I would not do it but for the fact that the official record must be preserved; but I know that in all your hearts you have already found his name, because there is one man to whom these characterizations can apply and his name is Charles E. Meek. (Great applause.)

E. F. Sheffey, Lynchburg—Old Virginia unites with New York and seconds the nomination of Charles E. Meek for president of this, the greatest commercial organization in the world. When the Almighty desired to bring the children of Israel out of Egypt he chose one by him declared to be the meekest man on earth. Now, I do not for a moment believe, despite the single pessimistic note sounded on the floor of this convention this morning, that we are on the eve of any Egyptian bondage, or other sort of bondage, but I do believe that in the future, should we, perchance, need one who is trained, who is capable, who is honest, who is effective, as a leader of our hosts in some great crisis, we could find none better than Charles E. Meek, of the city of New York. (Applause.)

Charles Reynolds, New Orleans—As a humble delegate to this convention, I have no desire to see this convention at any time railroad a man into office. We all recognize the work and the ability and the effort that Mr. Meek has put forward as the secretary of this Association and as its vice-president. He has typified the symbolism of the word "Vigilantia" in the replica of the national emblem which faces you, and as it is no doubt the desire of this convention to a single man to see him honored and receive the credit that is due him, I move you that the nominations for president be closed, if that motion is in order.

President Salisbury—The motion is in order.

Mr. Hoover, Pittsburgh—I second Mr. Reynold's motion that we may proceed unanimously to elect Mr. Meek to the office of president.

Harry L. Eisen, Milwaukee—Coming from the city which was the former home of Mr. Meek, and realizing that what our good friend

Prendergast has said is true, we want to second the nomination of Mr. Meek, and also to move you that the rules be suspended, and that the election of Charles E. Meek as president of this Association for the following year be made unanimous.

President Salisbury—It will be necessary for a ballot to be taken. If you will change the form of the motion so that the secretary be instructed to cast the unanimous ballot of this convention, that will cover it.

Harry L. Eisen, Milwaukee—I move you that the secretary be instructed to cast the ballot of the entire delegation for Charles E. Meek as president of this Association for the ensuing year.

Motion seconded.

President Salisbury—I trust that I am following the wishes of the convention in running these different motions all into one final one, which will accomplish our purpose. You have heard the motion made and seconded that the secretary of the National Association be instructed to cast the unanimous vote of the delegates for the election of Charles E. Meek as president of our Association for the coming year. All in favor of this motion will please say "Aye."

Motion carried unanimously.

Secretary Tregoe—Mr. President, the secretary takes great pleasure, in behalf of this convention, in casting the unanimous ballot of this Association for your friend and my friend as president of this Association, Charles E. Meek of New York. (Great applause.)

President Salisbury—The unanimous vote of the convention having been cast for Charles E. Meek, I declare him duly elected for the ensuing year. (Great applause.) I would ask E. D. Flannery and Daniel B. Murphy to escort Mr. Meek to the chair.

F. B. McComas, Los Angeles—I have been asked to make a little explanation. It seems that some of the well-laid plans of this Association and this committee who have the entertainment in charge, have gone wrong. As you well know, it is customary at this time to make a present to the retiring president. I have prepared three different speeches. I had to abandon my first speech. I was just about to tell you that we did not have any present. Now, we will have to pull off this speech in a different manner. But there is nothing like being resourceful. (Laughter and applause.)

What I have to state—Here is the present, Mr. President—(Laughter and great applause.) What I have to state is not quite the speech, and we will get at it in another way.

We had a great deal of trouble trying to select a present. Somebody wanted to buy a box of neckties for the president, that he might return the necktie to Mr. Kingsbury. (Great laughter.) Others, hearing that he was a tango dancer, decided it was pumps he needed. (Great laughter.) We found, however, that he wears a very large size. Gradually we went down the list until somebody said, "Why don't we ask Mrs. Pillsbury, the chances are that she will know." (Great laughter.) You can readily understand the problem I had before me in getting this lined up; but now you have got it. Now, this is what Mrs. Pillsbury says about him. (Laughter.) Is it Salisbury? Well, it is the same town anyhow.

"When I was just a little girl,
"With funny curls and locks,
"I used to read Hans Anderson,
"And his famous tinderbox.

"Then I used to wish some fairy
"Would just appear to me,
"With magic wand, and say
"My dear, your choice of wishes three."

"Then I'd have wished for a diamond ring
"And a husband dark and tall, (Laughter)
"And live in a vineclad cottage,
"And that would have been my all.

"And now you come as that fairy,
"With your offer of wishes three,
"And I well know you have given a task
"That just about finishes me.

"I have my vineclad cottage,
"And the husband dark and tall,
"My children four and a diamond ring;
"Is that not enough for us all?

"But, alas, this task you have set to me
"Of naming a gift so fair,
"Of jewel or gold or silver,
"Indeed I am in despair.

" "Tis true we have service of silver,
"Some knives that we call our best,
"And forks and spoons and spreader,
"Though they did not come in a chest. (Laughter.)

"I could mention his love for music—
"He tangos beyond compare,
"Or cloth of gold or jeweled crown,
"And treasures rich and rare.

"The credit men have given him
"The best in their power to give,
"The honor of their friendship true,
"And as long as he shall live
"He will cherish their high esteem
"And regard it, I am sure,
"As the gift supreme." (Great applause.)

A pretty fine letter, isn't it?

Now, I will have to take you right into my confidence, I do not see Mrs. Salisbury here, but we had planned to make her think we were taking her at her word and had not bought any present. And then these kind friends from Rochester come right out here with the present, right under my nose. (Laughter.) Why shouldn't I call him Pillsbury or anything but his right name. (Laughter.)

Now, Mrs. Salisbury, we want to thank you for this beautiful letter. You have set an example to all our wives. I am going to take this letter home; this is mine now; and I am going to tell my wife to get busy (great laughter) and learn how to write poetry just like that about me. (Great laughter.) So this letter now goes in my pocket; it is mine, and the committee can say good-bye to it. (Laughter.)

We want to thank Mrs. Salisbury further for the great sacrifice that she has made, and also the other members of her family, and we do not want to forget little Fred the III. (Applause.)

President Salisbury—that is his name—you are about to turn over this gavel to your successor: I wish to say to you that every member of this Association appreciates the work that you have done for it during your two years of office. I remember when you accepted this office in Boston, you said something about being a czar; well, you have been a czar, and you have wielded your power with a mighty club, but it has been the club of love and respect and admiration. (Applause.) And, in closing these few remarks I want to say to you that I can only think today of that splendid talk that the learned doctor gave us the first day here, in which he so carefully explained what "surplus" was, and he also called attention to the banks that were on the roll of honor. I believe that I voice the sentiment of every man and woman in this room when I say that you go on the list of ex-presidents as a roll-of honor president. (Great applause.)

We admire your dignity; we admire your kindness; we admire your gentleness and your diplomacy; and with it all, as we say in base ball, we have seen you tighten in the pinches. (Great applause.) We know that you can "put over the punch" when it is necessary, and in a thousand ways you have shown us that you are every inch a man. (Great applause.) And when I say a man, I mean the kind of a man I mean the kind of a man that Kipling meant when he penned these lines:

"If you can keep your head when all about you
 "Are losing theirs and blaming it on you;
"If you can trust yourself when all men doubt you,
 "But make allowance for their doubting too;
"If you can wait and not be tired by waiting,
 "Or being lied about, don't deal in lies,
"Or being hated don't give way to hating,
 "And yet don't look too good, nor talk too wise.
"If you can dream—and not make dreams your master;
 "If you can think—and not make thoughts your aim,
"If you can meet with triumph and disaster
 "And treat those two imposters just the same;
"If you can bear to hear the truth you've spoken
 "Twisted by knaves to make a trap for fouls,
"Or watch the things you gave your life to, broken
 "And stoop and build 'em up with worn-out tools;
"If you can make one heap of all your winnings
 "And risk it on one turn of pitch and toss,
"And lose and start again at your beginnings
 "And never breathe a word about your loss;
"If you can force your heart and nerve and sinew
 "To serve your turn long after they are gone,
"And so hold on when there is nothing in you

Influence—“Except the will which says to them, ‘Hold on’
“If you can talk to crowds and keep your virtue,
“Or walk with kings—nor lose the common touch,
“If neither foes nor loving friends can hurt you,
“If all men count with you, but none too much;
“If you can fill the unforgiving minute
“With sixty seconds worth of distance run,
“Yours is the earth and everything that’s in it,
“And—which is more—you’ll be a Man, my son!”
(Great applause.)

And now, sir, as this is pre-eminently a convention of credit men and as you are the head of this Association I am going to venture a new definition of credit. Credit, sir, is confidence; and confidence is faith and charity, and charity is love, and, sir, as a token of that love which we bear toward you and which is begotten of confidence and faith and hope and charity, I present in behalf of my fellow members of this convention, this trophy. (Great and long-continued applause.)

President Salisbury—Members of the National Association of Credit Men and my friend, Mr. McComas. Please do not think that I am ungrateful. I appreciate every word that has been said; but I have lived days, almost years, since Mr. McComas came on the stage; and I can assure you that had I the power of a czar I would have been sorely tempted to have called the time limit on him even before he had started. I knew that it was customary to present the retiring president (it has been in some cases, if not all) with some token of appreciation for his services. I had thought that material recognition was practically all that there was to it. But there has borne in upon me that feeling of love, deep respect from you, that makes it impossible for me to express myself fittingly. Had the chairman of the presentation committee only been kind enough to have prepared one more speech for me, to put into my mouth the proper words, I certainly would be happy. I can only express my gratitude to you; I can only try to tell you how deeply I feel at this particular time, standing in this particular place, an honor that I have never expected. Throughout my administration I have listened to a great many kind words; I have always taken them with at least a grain of salt; but today I am in no such position. I can only feel that this expression of your appreciation, your love, your friendship is real, and I wish to thank you from the bottom of my heart for the kindness of your love. (Great applause.)

(President-elect Meek was escorted to the platform, accompanied by the band, amid great applause and cheers.)

Mr. Flannery—God certainly is good to the Irish when he allows Murphy and Flannery to turn your new president over to you. (Applause.)

President Salisbury—Mr. Meek, nothing could give me more satisfaction than to turn this Association over to you to act as its president for the ensuing year. I present you with the gavel of authority, and if I can be assured of a promise from you that you will never deliver to any person not entitled to receive it this emblem of authority, which can only belong to a president of the National Association of Credit Men, I will present to you also Ira Kingsbury’s tie (handing President Meek the necktie). (Great laughter and applause.)

President Meek—It is a very difficult, in fact, I think the most difficult, situation that a man can be placed in to be called upon to respond on an

occasion of this kind, to express with one breath the thanks that he has within him, the appreciation for the honor which has been conferred upon him and in another to make a promise to be good as long as the Association permits him to hold office.

I had in my mind before I came into this hall something appropriate to say upon this occasion; but when I was escorted to the platform by a committee appointed by your president, Messrs. Murphy and Flannery, with a German band playing "Wearing of the Green" (great laughter and applause) all I had stored in my mind to say to you vanished into air. (Laughter.)

However, I will say this much, that I appreciate deeply the confidence which has been expressed by the Credit Men's Association, and I will promise to be just as good as I can during the time which I have the pleasure of serving as your presiding officer.

We have had a splendid convention. We are about to depart for our homes. Reference has been made to the fact that the Association is nearly twenty years of age, that this is our nineteenth annual convention. Now, I am sure that each time we have gathered together, on returning to our homes, to our work, we have all carried away with us something of value, something of good to ourselves individually, something of benefit to the community in which we live.

Although a great deal of emphasis has been placed upon the importance of this Association and its work in the earlier days, and conceding that the Association has performed an important part in the building of the commercial history of our country, and, while we have passed through strenuous times during the nineteen years of its existence, in my judgment, gentlemen, there is no time when we should be more solidly on guard, exercising the functions of our organization throughout the entire country than at the present moment. We need strong hearts and clear heads. Every member of this organization must be possessed at this time, or should be possessed at this time, of the utmost patience, kindness and a spirit of co-operation, so that the work of our organization may proceed as time goes on, becoming more important, more beneficial, to the commercial interests of this country. I am sure that when we return next week we shall go feeling that we have accomplished much in the years that have gone by, and, at the same time, feel like looking into the future for even higher development.

Now, members of the Association, all I ask of you is your co-operation, your individual co-operation, and your co-operation through your local associations. I will do my best to live up to the high standards which have been set by those who have preceded me, and I trust that no act of mine will cause any one to regret the confidence that they have shown in me this afternoon. (Great applause.)

President Meek—The next order of business is the election of a first vice-president. The chair recognizes Mr. Joyce, of Philadelphia.

Mr. Joyce—With your gracious permission, I will speak from the floor, as I wish to talk to the hearts of these men. In speaking from the platform I might miss their hearts and talk over their heads.

I rise, impelled by an emotion which I cannot repress, to place in nomination for the high office of first vice-president of this Association, the second honor within its gift, H. G. Moore, of Kansas City. (Great applause.)

Recognizing as we have the sterling abilities and natural worth of this man, his fellow townsmen have esteemed it a privilege to bestow on

him social, political and commercial honors. He has been and still is a most important factor in every movement in his home city tending to uplift the community and make life more worth the living.

We, of the National Association of Credit Men, admire, respect and love him, just as much as do his home folks; we yield to no one in our admiration. And why should we, Mr. President? Do we not know him? Have we not tried him in the ranks and in official position, and never has he failed us. He has fought our fights with that divine courage and sublime patience that is given only to leaders of men. As a leader we will find him ready, with a helpful remedy for every emergency. He knows the problems which confront us; he knows that this organization must solve, by practical demonstration, not by theory, the great problem of increasing commercial wealth and commercial power, by increasing commercial honesty. Honesty is the best policy—leave off that word “policy,” and allow it to stand boldly, “Honesty is the best.” (Applause.) Policy tends to deceit and subterfuge. None realizes more than he that to attack bravely and to triumph over the modern difficulties which beset the pathway of modern business, is a far more glorious and permanent victory than to falter weakly and palliate those difficulties. The sense of honor beats high in his heart, a heart that is warmed with kindly impulses and noble aspirations; and yet, a heart whose every pulse would tingle at the mere suspicion of fraud.

That most knightly of courtiers, Sir Walter Raleigh, said to a young poet, when he would write an important song, “Look into thy heart and write.” So I, my fellow credit men, dare to think, looking into my own heart at this moment, that what I find written there is written also upon the hearts of every man in this assemblage—respect, admiration and affection for this man whom we all call friend, Harry Moore, God bless him! (Great applause.)

Enoch Rauh, Pittsburgh—*Mr. President and Gentlemen:* On behalf of the Pittsburgh association, as well as my own, it gives me the greatest pleasure to second the nomination of my friend, H. G. Moore, knowing him, as we all do, to be a man of great executive ability, honest, genial, able and upright. It gives us that much more the pleasure to do so, because, as Mr. Prendergast has so ably expressed it, we need men such as Mr. Moore to act as our leaders.

May the official life of Mr. Moore be sheltered and protected from the storms and vicissitudes of life, and may the very richest blessings that a gracious Providence can bestow be showered upon him throughout his term. (Great applause.)

Mr. McComas—San Francisco and Los Angeles wish to second the nomination for first vice-president of the gentleman formerly from Mooresville, later from Bald Knob, and now from Kansas City. (Laughter and applause.)

A. C. Carpenter, New Orleans—New Orleans desires at this time to go on record as seconding this nomination. We people of the South are sometimes accused of looking at a man through sentimental eyes. That may be so, but I want this convention, these ladies and gentlemen assembled here today, to realize that we can see beyond that, can appreciate the sterling qualities, the genuine integrity, the capabilities that go to make a man. We can see all of that in this man today, and, as I said before, we want to go on record as heartily seconding the nomination of Harry G. Moore. (Great applause.)

A. Gevers, Dallas—As New Orleans represents only a part of the South and Texas is a very large part of it, I wish to affirm what he has said and second the nomination of Mr. Moore of Kansas City. (Great applause.)

C. O. Finne, Memphis—On behalf of the Memphis delegation, I move you that the nominations be closed, the rules be suspended, and that the secretary be instructed to cast the unanimous vote of this convention for Mr. Moore for the office of first vice-president. Seconded and unanimously carried.

Secretary Tregoe—It affords the secretary great pleasure to cast the unanimous ballot of this convention for the office of first vice-president, for the friend of us all, Harry G. Moore, of Kansas City. (Great applause.)

President Meek—The secretary having cast the single ballot in favor of Mr. Moore for the office of first vice-president, I hereby declare him elected and appoint Messrs. Kentnor and New a committee to escort him to the platform.

Mr. Moore was escorted to the platform by Messrs. Kentnor and New, accompanied by the band and singing.

President Meek—Members of the Association, I take pleasure in presenting to you your first vice-president, Mr. Harry G. Moore. I can only express my regret that the committee that escorted him to the platform did not continue all the way up here, because all three of them are entitled to a seat in the first row. (Great applause and laughter.)

Harry G. Moore, Kansas City—*Gentlemen of the Convention:* From the bottom of my heart, I assure you that I appreciate this, the highest honor that has ever come to me. My words shall be few, but my efforts many. If in this position, as before in more humble situations, the efforts of my lifetime, and the rendering of such service as half a century has given to me, shall be of use to this Association, now, as ever in the past, I shall be at your service.

I feel that there is much ahead of us, grave duties and great opportunities. The work of the past has been upon such a high plane, put there by these men who have gone before, that we need but pull together in the coming years, and, doing so, there is no wrong in the commercial life that we may not right. And among you, and always with you, ready for any service, be it large or small, I shall ever esteem it a privilege most rare, an honor which I shall covet, to do to the best of my ability, and to serve you anywhere, everywhere and always. (Great applause.)

President Meek—The next order of business is the election of a second vice-president. The chair will recognize Mr. Burnett, of Newark.

Mr. Burnett—There is still one more office to be filled before we leave. You have elected this afternoon a president from the land of industry, a first vice-president from the land of corn, and now I ask you to select your second vice-president from the land of cotton. (Great applause.)

There is an old saying that if you want anything done, go to a busy man. I ask you not only to go to a busy man but to a busy city to make your selection.

Him whose name I wish to present for your approval is a busy man, very active in his local affairs, in his Merchants & Manufacturers' Association, and in the Chamber of Commerce. He is also closely allied with our own work, having been selected, not once or twice, but three different and separate occasions, to preside over his local credit men's association.

In addition to that, he is no stranger to the inner workings of the national organization, having sat around the official table of its board in the past. In business, he is the treasurer of the largest industry of its kind in the southern states. He makes good shoes for men; I am sure he would make a good man for the shoes of the second vice-president. (Great laughter and applause.)

We must be careful in our selection of men for this office, because it is just as important that we select at this time a man who would not only fill the office of second vice-president, but in due course reach the highest point within the privilege of the organization, and in future years become its head, and I trust we may all be spared to come together in a few years and select this same man as our presiding officer, for if we elect him now he will prove worthy.

I therefore ask you to please his city, to satisfy his state, and give the whole Southland the honor of providing a man who will be safe, conservative and practical, and will enable this organization to live true to its principles and teachings. I take pleasure in offering for your consideration the name of Herbert E. Choate, of Atlanta. (Applause.)

J. L. Baldwin, Atlanta—It becomes my present duty and privilege, notwithstanding my feelings of inability, to speak a few words for the south, for Atlanta and for our Association, upon the nomination just made by the gentleman from Newark.

In doing so, I wish to commend and endorse the nomination with all my force. We have no dearth in Atlanta of men of sterling worth and character, but among them all there is none who stands higher in the esteem of his fellow citizens than Mr. Choate. His ability, integrity and intellectual attainments, coupled with his high ideals, have impressed his personality indelibly upon his associates and his community at large. His constructive work and loyal support of our Association, entitles him to be regarded as its chief Nestor; and I do not hesitate to predict that in this new relation to the National Association he would be a pillar of strength, as he has been a wise counselor in the past. There is work ahead for this Association, of incalculable value and importance, for which it needs a man of vision, of energy, of honesty, of sound ideas, of unselfish motives; therefore, knowing the man and believing in him as I do, it is my pleasure to give for our delegation and for the Atlanta association, our sincere and hearty second for this nomination. (Applause.)

J. H. Kentnor, St. Louis—It is a pleasure far beyond my ability to express the great opportunity we have in seconding the nomination of our friend from Atlanta. Those of us who know Herbert E. Choate esteem him as a close and very personal friend. There are many in this room today who will probably remember that when we were in Minneapolis he was called upon to reply to an address of welcome, and we know how he touched a responsive note in the heart of all who heard him.

With our friend from the southeast, we will have a trio of officers that will do for this Association far more than any one could reasonably expect. We will have the solidity of the east, with the integrity of the west, and the chivalry of the south, a combination that will be very, very hard to beat at any time. I know we are not making a mistake and that we shall all be greatly benefited; and when the year that will soon go by has closed, we will all of us say that the selection we have made for second vice-president has been one of great excellence and of great benefit for the Association.

On behalf of St. Louis I take pleasure in seconding the nomination of Herbert E. Choate. (Great applause.)

James E. Porter, Pittsburgh—A half century ago I invaded the state of Georgia. I did not succeed in getting very far inside its limits, because I was carrying weapons that I had no right to carry, I presume, without securing the assent of the civil authorities, and my reception was of such an inhospitable nature that I was plumb discouraged and turned back. I did not go down there again for forty-eight years.

What I now want to do is to establish a limited line of credit in the city of Atlanta, that I may go down there and meet with a more cordial reception than I did in 1864. (Laughter and applause.)

I take a great deal of pleasure, not only on my own account but on behalf of the Pittsburgh Association of Credit Men, in seconding the nomination of Mr. Choate of Atlanta. (Great applause.)

R. J. Morawetz, Milwaukee—I desire to second the nomination of Mr. Choate, and in doing so, I move you, sir, that the nominations be closed, the rules suspended, and that the secretary be instructed to cast the ballot of the convention for Mr. Choate of Atlanta for second vice-president. (Great applause.)

Motion seconded.

President Meek—H. E. Choate, having been placed in nomination, and the nomination having been seconded, a motion is now before you that the nominations be declared closed, and that the secretary cast the ballot in favor of Mr. Choate for the office of second vice-president. Are you ready for the question?

Calls for the question.

Motion carried unanimously amid applause.

Secretary Tregoe—It affords the secretary great pleasure to cast the unanimous ballot of this convention for the office of second vice-president for our good friend Herbert E. Choate of Atlanta. (Great applause.)

President Meek—I now declare H. E. Choate duly elected second vice-president of the National Association of Credit Men and appoint Harry L. Eisen, of Milwaukee, and James K. Calhoun, of Chicago, as a committee to escort Mr. Choate to the platform.

Mr. Choate was escorted to the platform by the band amid great applause.

President Meek—It gives me a great deal of pleasure to present to the members of the Association Mr. Choate, the newly elected second vice-president. (Great applause.)

Mr. Choate—*Fellow Credit Men, and Fellow Credit Ladies:* While I was in the attitude of "watchful waiting" out in the lobby (great laughter), Ira Kingsbury said to me, "Now, that you have got it, what are you going to do with it?" (Laughter.) That seems to me to be a pertinent question calling for a respectful and sober answer.

I have been told that during the formative period of this government, before the influences of Toryism had been entirely eradicated, there arose in the councils of the great statesmen of that day and time a weighty discussion in regard to the question, what title should be used in addressing or referring to the vice-president. It had already been agreed that the president should be referred to as "His Excellency." Finally John Adams, of Massachusetts, between whom and the then vice-president there was not the most cordial relations at the time, arose and said, "Mr. Chairman, I think it would be eminently fitting to refer to the vice-president as his 'Exalted Superfluosity.'" (Laughter.)

I have been looking for an easy job all my life, and, in the language of that great Georgian who now occupies the White House, "At last I have arrived." (Laughter.)

Seriously, gentlemen, while my salary check will not be very large, I expect to have somewhat to do for you can "take it from me" that anybody who ever gets tied up with our grand little secretary here has got his work cut out for him. (Laughter.) In view of this, I do not suppose I need to make any promises.

I am deeply grateful for the honor you have conferred upon me. I am deeply sensible of the compliment you have paid to the Atlanta association and my section of the country. I am not vain enough to appropriate it to myself and I would rather show my worth in deeds than in words.

I thank you on behalf of the Atlanta association, and on my own behalf, every one of you.

"The mother may forget the babe
"That smiled so sweetly on her knee;
"But forget thee will I ne'er, Glencairn,
"And all that thou hast done for me."

I thank you. (Great applause.)

President Meek—The Nominating Committee has presented its report and it will be read by the secretary.

Report read by Secretary Tregoe as follows:

The Nominating Committee presents the following names to this convention as candidates for vacancies upon the board of directors. Inasmuch as Mr. Moore, who was a director, has been advanced to the first vice-presidency, there are ten vacancies for two years and one vacancy for one year, and these names are presented:

John M. Callander, Des Moines, Iowa.

J. G. Davis, Dallas, Texas.

Frank S. Flagg, New York, N. Y.

Ira D. Kingsbury, Rochester, N. Y.

L. B. McCausland, Wichita, Kas.

F. B. McComas, Los Angeles, Cal.

S. F. Miller, Baltimore, Md.

George C. Morton, Boston, Mass.

W. B. Munroe, St. Louis, Mo.

W. A. Petzold, Detroit, Mich.

Fred R. Salisbury, Minneapolis, Minn.

J. H. Scales, Louisville, Ky.

E. F. Sheffey, Lynchburg, Va.

H. J. Thomas, Denver, Colo.

I have been requested by the delegates representing the Baltimore association to withdraw the name of their candidate, S. F. Miller, which I am sure will be agreeable to you.

President Meek—You have heard the report as presented by the secretary, what is your pleasure?

Motion made, seconded and carried that the report be adopted as read.

Tellers were appointed by the chair and a recess announced until 8:15 P. M., when the result of the voting would be announced at the evening meeting.

Recess until 8:15 P. M., July 26th, 1914.

FOURTH DAY

Friday, June 26, 1914.
EVENING SESSION

The convention was called to order at Convention Hall at 8:30 o'clock, P. M., June 26th, 1914.

President Meek—The convention will please come to order. The secretary has the report of the board of tellers.

Secretary Tregoe—The tellers appointed by you to count the ballots and ascertain the result of the annual election, beg leave to report the following candidates as receiving the highest number of votes, set opposite their respective names. The first ten receiving the highest number of votes are elected for two years upon the board.

Fred R. Salisbury, Minneapolis,

J. G. Davis, Dallas.

J. H. Scales, Louisville.

F. B. McComas, Los Angeles.

L. B. McCausland, Wichita.

Ira D. Kingsbury, Rochester.

John M. Callander, Des Moines.

Frank S. Flagg, New York.

W. B. Munroe, St. Louis.

George C. Morton, Boston.

And for one year

E. F. Sheffey, Lynchburg.

Mr. Salisbury—The business of the convention having been concluded, I do now move that we adjourn to meet without date. Seconded and carried.

Directory of Officers of the Affiliated Branches of the National Association of Credit Men.

(Arranged Alphabetically by States)

- ALABAMA**, Birmingham—Merchants and Manufacturers Association of Birmingham. President, R. A. Porter, Tyler Gro. Co. Secretary, J. A. Coker, Birmingham Paper Co. Assistant Secretary, R. H. Eggleston, Chamber of Commerce Bldg.; Manager, J. T. Slatten, 612-14 Chamber of Commerce Bldg.
- ALABAMA**, Montgomery—Montgomery Association of Credit Men. President, A. H. Rawlings, F. S. Royster Guano Co. Secretary, Charles D. Tallmann, Rainbow Fertilizer Co.; Asst. Secretary, J. M. Holloway, Bell Bldg.
- ALABAMA**, Selma—Selma Association of Credit Men. President, R. H. Agee, R. H. & W. C. Agee; Secretary, R. M. Waters, Tissier Hardware Co.
- ARKANSAS**, Fort Smith—Fort Smith Association of Credit Men. President, M. T. Dyke, Dyke Bros.; Secretary, Ben D. Kimpel, 606 Merchants National Bank Bldg.
- ARKANSAS**, Little Rock—Little Rock Association of Credit Men. President, Sam T. Poe, Beal-McDonnell Co.; Secretary, L. H. Pace, Crane Co.
- CALIFORNIA**, Los Angeles—Los Angeles Credit Men's Association. President, Joseph D. Simpson, Klein-Simpson Fruit Co. Secretary, W. C. Musket, 512 Union League Bldg.
- CALIFORNIA**, San Diego—The Credit Association of San Diego. President, F. E. Keil, Keil Bros. Co., Inc.; Secretary, Carl O. Retsloff, 607-8 Spreckles Theatre Bldg.
- CALIFORNIA**, San Francisco—San Francisco Credit Men's Association. President, Robt. H. Gay, American Can Co.; Secretary, Charles T. Hughes, 433 California St.
- COLORADO**, Denver—Denver Credit Men's Association. President, C. A. Bowman, Merchants Biscuit Co.; Secretary, J. L. McCarthy, Daniels & Fishers Stores Co.; Assistant Secretary, David F. Lowe, 503 Continental Bldg.
- COLORADO**, Pueblo—Pueblo Association of Credit Men. President, H. B. Metcalf, Ridenour-Baker Mer. Co.; Secretary, A. V. Fagerstrom, Hyde Paper Co.; Assistant Secretary, F. L. Taylor, 410 Central Block.
- CONNECTICUT**, Bridgeport—Bridgeport Association of Credit Men. President, Geo. E. Melius, H. O. Canfield Co.; Secretary, L. M. Allen, Bridgeport Brass Co.
- CONNECTICUT**, Hartford—Hartford Association of Credit Men. President, Shiras Morris, Hart & Hegeman Co.; Secretary, C. de L. Alton, J. B. Williams Co., Glastonbury, Conn.
- CONNECTICUT**, New Haven—New Haven Association of Credit Men. President, H. B. Kennedy, Hoggason-Pettis Co.; Secretary, Ziegler Sargent, Sargent Co.
- DISTRICT OF COLUMBIA**, Washington—Washington Association of Credit Men. President, Henry H. McKee, National Capital Bank.
- FLORIDA**, Jacksonville—Jacksonville Credit Men's Association. President, John S. Bond, Bond & Bours Co.; Secretary, J. W. Petyjohn, Covington Company.
- GEORGIA**, Atlanta—Atlanta Association of Credit Men. President, E. L. Adams, E. L. Adams & Co.; Secretary, E. L. Rhoades, Ernest L. Rhoades & Co.; Acting Secretary, H. T. Moore, Chamber of Commerce Bldg.
- GEORGIA**, Augusta—Augusta Association of Credit Men. President, John Phinizy, Augusta Drug Co.; Secretary, P. V. Hollingsworth, Hollingsworth Candy Co.
- GEORGIA**, Savannah—Savannah Credit Men's Association. President, Frederick G. Doyle, Semme Hdwe. Co.; Secretary, W. R. Finegan, Chamber of Commerce.
- IDAHO**, Boise—Boise Association of Credit Men, Ltd. President, John L. Hollingshead, Oakes & Co.; Secretary, D. J. A. Dirks, 305-306 Idaho Bldg.
- ILLINOIS**, Chicago—Chicago Association of Credit Men. President, W. M. Turner, Chicago Varnish Co.; Secretary, Chas. R. Dickerson, 10 So. La Salle St.
- ILLINOIS**, Decatur—Decatur-Springfield Association of Credit Men. President, A. J. Murray, National Grocer Co.; Secretary, T. G. Casley, American Hominy Co., Decatur, Ill.
- ILLINOIS**, Peoria—Peoria Association of Credit Men. President, Wm. Hazzard, Commercial German National Bank; Secretary, J. W. Atkins, Kingman Plow Co.
- INDIANA**, Evansville—Evansville Association of Credit Men. President, Charles Bohannon, Hercules Buggy Co.; Secretary, H. W. Sparrenberger, Parsons & Scoville Co.
- INDIANA**, Indianapolis—Indianapolis Association of Credit Men. President, Lucius O. Hamilton, Hamilton, Harris & Co.; Secretary, John V. Coffield, 660 Lemcke Annex.
- IOWA**, Cedar Rapids—Cedar Rapids Association of Credit Men. President, J. D. Nicoll, Warfield-Pratt-Howard Co.; Secretary, Thos. B. Powell, 702-704 Security Savings Bank Bldg.
- IOWA**, Davenport—Davenport Association of Credit Men. President, George W. Noth, Davenport Bag and Paper Co.; Secretary, Isaac Petersberger, 222 Lane Bldg.
- IOWA**, Des Moines—Des Moines Credit Men's Association. President, Wm. Lawrence, Herman Glove Co.; Secretary, G. B. Voorhees, Langan Bros. Co.
- IOWA**, Sioux City—Sioux City Association of Credit Men. President, J. K. Irvine, Knapp & Spencer Co.; Secretary, A. P. Soelberg, Sioux City Crockery Co.
- IOWA**, Waterloo—Waterloo Association of Credit Men. President, George W. Huntley, Cutler Hdwe. Co.; Secretary, J. E. Peck, Waterloo Chemical Works.
- KANSAS**, Wichita—Wichita Association of Credit Men. President, L. B. McCausland, Ross Brothers; Secretary, C. H. Armstrong, McCormick-Armstrong Press.
- KENTUCKY**, Lexington—Lexington Credit Men's Association. President, William R. Snyder, Curry, Brown & Snyder; Secretary, C. L. Williamson, 1312-15 Fayette Natl. Bank Bldg.
- KENTUCKY**, Louisville—Louisville Credit Men's Association. President, Peyton B. Bethel, Falls City Clothing Co.; Secretary, Chas. Fitzgerald, U. S. Trust Co. Bldg.
- KENTUCKY**, Paducah—Paducah Association of Credit Men. President, J. M. Walton, Covington Bros. & Co.; Secretary, A. M. Ashcroft, L. S. Du Bois Son and Co.
- LOUISIANA**, New Orleans—New Orleans Credit Men's Association. President, Chas. Reynolds, Crescent Cigar & Tobacco Co.; Secretary, T. J. Bartlette, Williams, Richardson & Co., Ltd.

- MARYLAND**, Baltimore—The Credit Men's Association of Baltimore. President, S. F. Miller, S. F. & A. F. Miller & Co.; Secretary, S. D. Buck, 100 Hopkins Pl.
- MASSACHUSETTS**, Boston—Boston Credit Men's Association. President, Austin H. Decatur, Decatur & Hopkins Co.; Secretary, Herbert A. Whiting, 77 Summer St.
- MASSACHUSETTS**, Springfield—Springfield Association of Credit Men. President, Marvin H. Smith, Sturtevant-Merrick Co.; Secretary, L. E. Herrick, Victor Sporting Goods Co.
- MASSACHUSETTS**, Worcester.—Worcester Association of Credit Men. President, Harry C. Coley, Howard Bros. Mfg. Co.; Secretary, H. A. Stanton, 442 Park Ave.
- MICHIGAN**, Detroit—Detroit Association of Credit Men. President, Edward Bland, Ireland & Matthews Mfg. Co.; Secretary, Frank R. Hamburger, 1032 Dime Bank Bldg.
- MICHIGAN**, Grand Rapids—Grand Rapids Credit Men's Association. President, Fred H. Locke, Alabastine Co.; Secretary, Walter H. Brooks, Wolverine Brass Wks.
- MINNESOTA**, Duluth—Duluth Association of Credit Men. (Duluth-Superior.) President, H. A. Sedgwick, Marshall-Wells Hardware Co.; Secretary George H. Wright, Manhattan Bldg.
- MINNESOTA**, Minneapolis—Minneapolis Association of Credit Men. President, J. M. Paul, McDonald Bros. Co.; Secretary, W. O. Hawkins, McClellan Paper Co.
- MINNESOTA**, St. Paul—St. Paul Association of Credit Men. President, Frank M. Colchester, John A. Dunn Co.; Secretary, Wm. D. Fritz, St. Paul Rubber Co.
- MISSOURI**, Kansas City—Kansas City Association of Credit Men. President, R. N. French, Union Match Co.; Secretary, Marvin Orear, 504 New England Bldg.
- MISSOURI**, St. Joseph—St. Joseph Credit Men's Association. President, E. H. Zimmerman, Tootle-Lemon National Bank; Secretary, F. W. Yonkers, Letts-Parker Grocery Co.
- MISSOURI**, St. Louis—St. Louis Association of Credit Men. President, J. W. Chilton, Crane Co.; Secretary, C. P. Welsh, 314 Security Bldg.
- MONTANA**, Butte—Butte Association of Credit Men. President, A. R. Currie, Virden & Currie Co.; Secretary, W. E. Dufresne, Montana Hdwe. Co.; Assistant Secretary, C. E. Alsop, Ind. Tel. Bldg.
- NEBRASKA**, Lincoln—Lincoln Credit Men's Association. President, E. G. Evans, Henkle & Joyce Co.; Secretary, H. T. Folsom, Union Coal Co.
- NEBRASKA**, Omaha—The Omaha Association of Credit Men. President, Eugene Atkins, E. E. Bruce & Co.; Secretary, Henry Bleasman, 412 Karbach Block.
- NEW JERSEY**, Newark—Newark Association of Credit Men. President, Irving C. Brown, L. Bamberger & Co.; Secretary, J. Fred Braun, J. J. Hockenjos Co.
- NEW YORK**, Buffalo—Buffalo Association of Credit Men. President, J. B. Dwyer, Ontario Biscuit Co.; Secretary, Harry R. Bridgeman, 904-6 D. S. Morgan Bldg.
- NEW YORK**, New York—New York Credit Men's Association. President, E. D. Flannery, A. Steinhard & Bro.; Secretary, A. H. Alexander, 320 Broadway.
- NEW YORK**, Rochester—Rochester Credit Men's Association. President, George G. Ford, L. P. Ross Co.; Secretary, Edward Weter, Yawman & Erbe Mfg. Co.
- NEW YORK**, Syracuse—Syracuse Association of Credit Men. President, H. H. Burch, Waldorf Mfg. Co.; Asst. Secretary, Robert S. Betterton, 600 Vinney Bldg.
- NEW YORK**, Utica—Utica Association of Credit Men. President, Irving L. Jones, International Heater Co.; Secretary, Fred W. Wienke, care Charles Millar & Son Co.
- NORTH CAROLINA**, Charlotte—Charlotte Association of Credit Men. President, Clarence O. Kuester, Kuester-Lowe Co.; Secretary, Leake Caraway, Greater Charlotte Club.
- NORTH CAROLINA**, Wilmington—Wilmington Association of Credit Men. President, L. E. Hall, Hall & Pearsall, Inc.; Secretary, Stuart R. Keyes, Bureau of Credits.
- NORTH DAKOTA**, Fargo—Fargo Association of Credit Men. President, J. W. McHose, McHose & Pardue; Secretary, H. L. Loomis, N. W. Mutual Savings and Loan Ass'n.
- NORTH DAKOTA**, Grand Forks—Grand Forks Association of Credit Men. President, W. G. McDonald, Nash Bros.; Secretary, F. D. Cameron, Park, Grant & Morris Gro. Co.
- OHIO**, Cincinnati—Cincinnati Association of Credit Men. President, Samuel Mayer, Isaac Fall's Sons & Co.; Secretary, I. M. Freiberg, 810-11 Commercial Tribune Bldg.
- OHIO**, Cleveland—Cleveland Association of Credit Men. President, Warren E. Clarke, The Cohn-Goodman Co.; Secretary, Irvine K. Schnaitter, 324 Engineers Bldg.
- OHIO**, Columbus—Columbus Credit Men's Association. President, J. B. White, White-Haines Opt. Co.; Secretary, Bensen G. Watson, 411-420 The New First National Bank Bldg.
- OHIO**, Toledo—Toledo Association of Credit Men. President, Allen A. Smith, The Goodsell Mfg. Co.; Secretary, Fred A. Brown, 1639 Nicholas Bldg.
- OHIO**, Youngstown—Youngstown Association of Credit Men. President, T. J. Connor, Republic Iron & Steel Co.; Secretary, W. C. McKain, 1106-7 Mahoning National Bank Bldg.
- OKLAHOMA**, Oklahoma City—Oklahoma City Credit Men's Association. President, J. G. York, Sulzberger & Sons Co.; Secretary, E. C. Smith, 1217 Colcord Bldg.
- OREGON**, Portland—Portland Association of Credit Men. President, S. C. Wasserman, Blake-McFall Co.; Secretary, E. G. Leahy, Blumauer-Frank Drug Co.
- PENNSYLVANIA**, Allentown—Lehigh Valley Association of Credit Men. President, Wm. N. Eberhard, F. Hersch Hdwe. Co.; Secretary, E. V. Ryan, 402 Hunsicker Bldg.
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